FINANCIAL TIMES

World Business Newspaper http://www.FT.com TUESDAY APRIL 1 1997

Start the week with...

Dateline
Japan's digital chickens
Page 10

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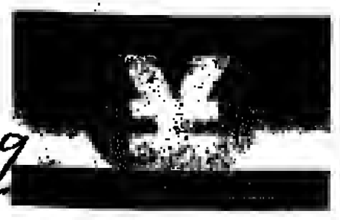


Japanese banks
Is it crunch time?
Page 21

Today's survey
Falkland Islands
Pages 13-15

Arab states freeze moves towards closer Israeli ties

Arab states are to halt moves towards closer relations with Israel in protest at the building of a Jewish settlement in east Jerusalem. Arab League foreign ministers agreed to suspend moves to establish diplomatic ties with Israel, to close Arab and Israeli missions, restore an economic boycott and withdraw from peace talks. Page 22

Bre-X wants shares freeze to stay during Busang probe

Bre-X Minerals urged the Toronto stock exchange to continue to ban trading in the company's stock until after investigations were completed into Bre-X'e Busang gold site in Indonesia. Busang was thought to be the world's largest gold site but was later shown to contain insignificant amounts of the metal.

Backing for overhaul of World Bank

World Bank president James Wolfensohn (left) won the unanimous approval of member states for a sweeping reorganisation designed to increase the bank's efficiency. The plan involves adding $250m to the organisation's running costs by 2000 and spending at least $60m on redundancies. The bank lends $22bn a year to finance development projects across the world, but its role has been called into question as the flow of private sector money to such projects has increased. Page 22

13 killed in derailment: At least 13 people died and many more were injured when a train was derailed near Pamplona in northern Spain.

Hong Kong emigrants to go back: Almost 10,000 Hong Kong Chinese who have emigrated to Vancouver are to return to the British territory which is reverting to Chinese rule in July. Page 22; Observer, Page 21

EU acts on chips dumping: The European Union will today reimpose minimum prices on imports of the biggest-selling semiconductor chips from 14 Japanese and South Korean manufacturers. Chips are down, Page 4; Editorial Comment, Page 21

Racal looks for partners: Racal Electronics, UK-based defence and electronics group, is seeking equity partners for its network services business as the consolidation of the global telecoms market speeds up. Page 23

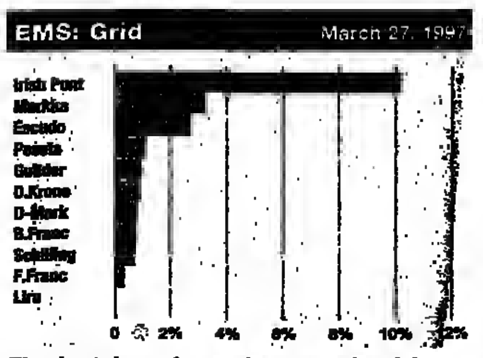
European skies opened: The European Union today completes the liberalisation of its aviation market, leaving operators free to run domestic services in countries other than their own. Page 2

Two prepare to bid for Thomson-CSF: Telecoms and engineering group Alcatel Alsthom and missiles-to-magazines conglomerate Lagardère said they would bid for Thomson-CSF, the French defence electronics group which is to be privatised. Page 23

OECD drops hope of early accord: The world's richest nations said they might be unable to agree comprehensive rules for foreign direct investment before the end of the year. They had hoped to reach a deal by early summer. Page 3

European Monetary System: The Italian lira remained rooted to bottom place in the EMS grid last week. The Finnish markka took second spot in the grid from the Portuguese escudo. Currencies, Page 33

EMS: Grid March 27, 1997



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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■ STOCK MARKET INDICES		
Tokyo Nikkei	18,003.40	(-186.32)
New York: lunchtime		
Dow Jones Ind Ave	6,618.60	(-121.99)
S&P Composite	761.05	(-12.83)
■ US LUNCHTIME RATES		
Federal Funds:	5¼%	
3-mo Treas Bills: Yld	5.308%	
Long Bond	94⅝	
Yield	7.093%	
■ GOLD		
New York Comex		
(Apr)	$350.5	(350.2)

■ STERLING	
New York: lunchtime	
$	1.645
■ DOLLAR	
New York: lunchtime	
DM	1.689
FFr	5.614
SFr	1.4375
Y	123.575
Tokyo close Y 123.95	
London markets closed	

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Parliamentary vote next week could lead to general election

India in political crisis as Congress blow hits coalition

By Mark Nicholson in New Delhi

India's minority coalition government was last night given 10 days to fight for its political life after the surprise decision of the Congress party to withdraw its support, pitching India into a political crisis.

Mr Shankar Dayal Sharma, the Indian president, insisted that the diverse 13-party United Front coalition led by prime minister Mr H.D. Deve Gowda's government face a parliamentary vote un April 11. This could lead to a fresh general election just 10 months after the formation of the UF.

The decision by Mr Sitaram Kesri, the 78-year-old Congress president, to withdraw support from the UF shocked even some of his senior party colleagues and has been scathingly received by the Indian press.

Congress, which has governed India for all but four years since independence, was not part of the coalition but backed it in parliamentary votes – it has 142 MPs while the UF has 176 in the 543-seat house.

The move rocked business confidence, which had revived after the UF put forward an aggressive tax-cutting budget in February. Bombay shares plunged 9 per cent, with the Bombay Sensex index closing 299.63 down at 3,363.90.

The Congress decision leaves the budget in limbo – parliament was to convene on April 21 to debate the Finance Bill.

Mr Kesri accused the UF of presiding over a "complete collapse" of law and order, economic "drift", rising prices and a "growing communal manace" – an allusion to the recent formation of a coalition government in the state of Uttar Pradesh which includes the religion-based Bharatiya Janata party.

Leap into the unknown ......Page 5
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Markets this week ......Page 27
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Mr Jaipal Reddy, UF spokesman, called on Congress to "reconsider" its move, but indicated efforts were under way to preserve the government, saying coalition leaders were in talks with "friends" in Congress. He said the coalition was "confident of surmounting the situation".

Mr Reddy said he could not "spell out the basis of our confidence" that the coalition would eurvive. However, the UF is apparently boping to capitalise on anger among some Congress leaders over Mr Kesri's surprise gambit and an aversion among Congress MPs to a snap election in which polls suggest the party would fare poorly.

One senior Congress politician said ba expected "something will work out" before a confidence vote is called.

The opposition Bharatiya Janata party and its supporters – a total of 203 MPs – said they would vote against the UF and force elections, which recent opinion polls suggest could hand them a governing majority.

Mr Gowda insisted that the UF would "fight it out" in parliament. All 13 members of the coalition have pledged continued loyalty to the government.

The political turmoil overshadowed talks in Delhi between India and Pakistan's foreign office bureaucrats, the first sucb higb-level talks between the two bostile nations in three years. Mr Salman Haider, India's foreign secretary, said the officials had "been able to continue" their talks, which he described as "friendly and co-operative".

Indian prime minister H.D Deve Gowda's minority coalition government faces the possibility of a general election after the Congress party withdrew its support Picture: Reuter

Wall St jitters send shares tumbling

By Richard Waters in New York

Share prices on Wall Street were hit for a second trading day on investors' fears of higber interest rates and a slowdown in earnings growth for US companies.

The rout in prices carried over from Thursday, when the Dow Jones Industrial Average lost more than 2 per cent of its value. The widely followed index fell another 2 per cent, or 140 points, yesterday morning before rebounding slightly.

The decline – in one of the strongest periods of earnings growth for US companies - appeared to reflect growing unease among investors after a long period of strength in the financial markets. But Wall Street analysts said it was too early to predict an end to the 1990s' bull market.

The losses came as further evidence emerged of just bow strongly the US economy has been growing this year. That raised fears that last week's interest rate increase was likely to be followed by at least one, and possibly several, more rises in the coming months as the Federal Reserve sought to restrain inflation.

"The price of the [Fed's] success will be a profits squeeze next year" as higher interest rates cause growth to slow, said Mr David Hale, chief economist at Zurich Kemper Investments in Chicago.

Wall Street's attention had already begun to shift to the notion that American companies would not be able to maintain the momentum that has made the 1990s a golden age for corporate profits. "You're getting the first signs of earnings concerns," said Mr Michael Metz, chief investment strategist at Oppenheimer of the stumble in prices.

The heightened nervousness abont corporate profits was confirmed yesterday as the shares of two companies that issued profits warnings fell heavily. Readers Digest, the publishing group, lost 11 per cent of its value as it said that its marketing efforts in a number of countries had failed to attract the expected level of new customers.

The value of Ascend Communications, a computer networking company, plunged by a fifth. The company had announced acquiring rival Cascade Communications as Cascade issued a profits warning. Such warnings are not unusual at this point, with many US companies due to begin reporting their first quarter earnings next week. However, the way the stock market punished these companies reflected the greater level of concern about corporate profits, analysts said.

US companies' earnings in the first six months of this year would reflect two forces, said Mr John Lipsky, chief economist of Chase Manhattan. The country's strong economic growth would lift sales volumes. However, this would be offset by falling profit margins, as US companies are forced to pay more to attract workers and meet higher materials costs, he said.

In later trading in New York the Dow was down 83 points at about 6,657.

Ascend acquisition, Page 23
World stocks, Page 35

France Telecom considers employee share plan

By David Owen and Hugo Dixon

France Telecom may institute a share option plan for up to 1,500 senior employees after its partial privatisation next month. The plan would be one of the widest options scheme among French companies.

Mr Michel Bon, France Telecom chairman, is promoting tha plan, which could be implemented towards the end of this year. He views it as an important element in changing the company from a civil service operation into a more customer-oriented company.

Details of the option scheme will not be decided until after the FFr30bn-FFr50bn ($5.3bn-$8.9bn) flotation because the government aims to eell a large portion of the shares to employees as well as outside investors. Mr Bon believes launching the option scheme at the same time would be confusing.

Executive ehare option schemes have rapidly gained popularity in France over the past few years, partly for tax reasons. According to Mr Edoardo De Martino, a partner of accountants Arthur Andersen in Paris, schemes covering 1-2 per cent of employees are "within the range of common practice".

The sale of a first tranche of France Telecom share is on course to be France's biggest privatisation since Elf Aquitaine, the oil group, in 1994, and possibly the biggest ever.

Mr Bon hopes the issue will attract about 2m shareholders.

The sale could reignite popular capitalism in France and restore the credibility of the government's ambitious privatisation programme, which has suffered a number of setbacks, notably last year's suspension of tbe planned sale of the Thomson electronics group.

The early order period is due to start on May 6. The shares are expected to start trading on the Paris and New York stock markets on June 9. The formal selling period should run from May 27 to June 2.

Lex, Page 22

NCB crisis deepens with president set to resign

By Gwen Robinson in Tokyo

The crisis at Nippon Credit Bank, one of Japan's top 20 banks, deepened yesterday with reports that Mr Hiroshi Kubota, its president, will resign this month.

NCB, which is struggling to clear bad loans of more than Y1,000bn ($8.1bn), last week confirmed it was finalising a radical restructuring plan.

Tha plan, to be announced shortly, is likely to include the bank's withdrawal from overseas operations. This will mean the closure of six overseas branches and eight representative offices, as well as drastic staff cuts and the sale of key property holdings in Japan.

The reports follow attempts on Friday by Mr Hiroshi Mitsuzuka, finance minister, to calm concerns about the stability of the Japanese banking system.

Mr Mitsuzuka said the government would help NCB with financial support to increase its capital. The ministry is believed to be arranging a rescue package under which the Bank of Jepan, the central bank, would provide nearly one-third of a Y300bn financial support package.

Mr Mitsuzuka described NCB's restructuring efforts as "important for the stability of the entire financial eystem" and said BoJ and the government would "formally support" the plan.

Reports that the government has approached leading Japanese commercial banks to assist NCB's restructuring plans drova down banking shares more than 4 per cent on the Tokyo stock market last Thursday. NCB shares fell 6 per cent. Yesterday, they fell a further Y9 to close at Y280 on concerns that the restructuring measures may be too extreme.

Mr Kubota, who is also chairman of NCB, will resign as president after an official announcement of the bank's restructuring plan within the next 10 days. He will remain chairman, bnt bis departure from the presidency may shake investors' confidence. His replacement is expected to come from witbin NCB, according to bank officials.

A former senior official of tha finance ministry, Mr Kubota joined NCB as an adviser in 1993. He became president and chairman in mid-1996 and immediately began tackling tbe bank's massive bad debt problems.

NCB's liquidity problems have been highlighted in the last few months as yields on its five-year debentures, the key fund-raising instruments, soared more than 2.5 percentage points above those issued by Industrial Bank of Japan, the leading long-term credit bank.

Moody's Investor Service,

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Collateral damage, Page 21

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Last curbs on EU airlines are lifted, but few expect rush to start new services

European Union finally frees its skies

By Michael Skapinker, Aerospace Correspondent, in London

The European Union today completes the liberalisation of its aviation market, concluding a process which began a decade ago.

From today, European airlines will see the last restriction on their operations within the EU removed, leaving them free to operate domestic services in countries other than their own.

This freedom comes on top of e range of liberalising measures taken by the EU since it began easing controls on air fares in 1987.

Airline executives say, however, that few companies are likely to start domestic services in other countries. They point out that British Airways, Europe's most profitable carrier, has yet to make money from its French and German operations.

Ryanair, the independent Irish carrier, has launched domestic services in the UK, but says this will be difficult to do in other EU countries where airports are less willing to lower landing charges to attract new business.

Sir Michael Bishop, chairman of British Midland, an established independent carrier, says anyone expecting significant change from the reform will be disappointed.

He admits, however, that the cumulative reforms of the past decade have significantly changed Europe's aviation sector.

The EU began liberalising its industry almost a decade after the US lifted restrictions on its airlines. Deregulation in the US resulted in much lower fares, the growth of low-cost carriers, and the demise of long-established companies such as Pan American.

The EU's third liberalisation package, which was introduced in January 1993 and which is completed today, allowed airlines to set their own fares on services within the EU. The European Commission, however, retained the right to intervene to prevent predatory pricing or excessive fare increases. The package also allowed European airlines to fly to any other EU country and from there to third countries.

British Midland says there were 156 EU carriers operating scheduled services last year compared with only 99 in 1986.

Smaller airlines such as Ryanair, EasyJet of the UK and Virgin Express, based in Brussels, have all introduced low-cost flights between a range of EU countries.

However, fares for many European routes are still higher than their equivalent journeys in the US. A Lufthansa economy return ticket between Frankfurt and Berlin costs the equivalent of about $480 and a British Airways economy return fare from London to Brussels is the equivalent of about $450. By contrast, a United Airlines economy return fare between Los Angeles and San Francisco is $206.

Pilot for open skies, Page 10

How conversion rates might be set

- EU leaders pre-announce the conversion rates when they select the qualifiers for the single currency in the spring of 1998. This gets around some difficulties, but the system could be open to speculative attacks if the rates were not seen as credible.
- Conversion rates are based on historic averages. This raises complicated legal and economic issues. It could result in a conversion rate on January 1, 1999 that is different from the final market rates of December 31, 1998.
- Letting the market decide using prevailing exchange rates on December 31, 1998. Legally cleanest method of all, but this could lead to severe economic distortions in case of a sudden significant change in parities on or before December 31, 1998.
- Switching back to a narrow band ERM in the run-up to Emu. Seen as risky, especially if the number of Emu parti- cipants is large. The system could come under the same pressures as the ERM did in 1992 and 1993. Could work if Emu is restricted to Germany, France and Benelux initially.
- Currency Board - participating countries tie currencies at a fixed rate to the D-Mark during interim period, with the Bundesbank setting monetary policy for the future Emu zone. This would work, and would raise no legal problems. But it would be politically difficult for countries to accept control of policy by Germany's central bank.

Small is beautiful in converting to the euro

Deciding how to set the right currency rates is fraught with risk, writes Wolfgang Münchau

Preparing for Emu

European central banking officials admit that they are concerned about possible foreign exchange market volatility during the nine months between the decision about who will join the single European currency and its scheduled starting date in 1999.

The uncertainty stems from the method by which national currencies will convert to the euro. It is one of the most controversial technical issues in the introduction of the single currency and getting it wrong could jeopardise the entire project.

A group of four economists claims to have detected a logical flaw in the Maastricht treaty, which outlines the path to monetary union.

In a book published by the Centre for Economic Policy Research, they argue thet EU leaders have imposed on themselves so many constraints that they will not be in a position to determine conversion rates other than those which the market sets for them on December 31, the day before the single currency is scheduled to start.

The authors say the following requirements are inconsistent with one another:

- Replacement of the Ecu, the existing basket of all EU currencies, by the euro on January 1 1999.
- The rule, agreed at the Madrid summit in 1995, that the Ecu converts to the euro at a rate of one-to-one.
- The treaty requirements that the rates at which the participating currencies convert to the euro be fixed at the start of Emu.
- Conversion "shall by itself not modify the external value of the Ecu" – its rate against other currencies, for example the dollar. This implies the need for conversion rates on January 1 1999 not to differ substantially from prevailing market rates on December 31 1998.

Root cause of the problem is that the Ecu and the euro have a different membership base – the Ecu is a basket of all EU currencies, but not all will take part in Emu.

If the Ecu and the euro convert one-to-one, the conversion rates of each currency will depend in turn on the value of the Ecu. But that value is influenced by the currencies of EU countries which will not be joining the single currency. So the conversion rates of countries thet join would be influenced by the market rates of those that do not.

Mr David Begg, one of the authors of the report, says it would have been better in drafting the Maastricht treaty "to allow the Ecu to continue and to make the new currency part of the Ecu basket".

He and his co-authors suggest that when EU leaders choose the qualifiers for the single currency, they should "pre-announce" the conversion rates of the participating currencies with each other, based on the existing central parities in the exchange-rate mechanism.

"Fixing the bilateral rates provides an anchor for exchange rate expectations and eliminates dangerous instability. If the announcement is credible, no further measure is necessary to assure that the bileteral market exchange rates among the [participants in Emu] will converge to the pre-announced rates at the end of the interim period," they argue.

In a recent paper, Mr Daniel Gros and Mr Karel Lannoo of the Centre for European Policy Studies in Brussels reject the pre-announcement strategy.

"Such an announcement can never command 100 per cent credibility. There will always be interested parties that will complain that a particular currency is undervalued or overvalued."

They say the problem could be overcome if the European Monetary Institute, forerunner of the European central bank, pre-announced a grid – as opposed to e rate – and steered the markets towards this grid in the interim period.

Both approaches reject the method still seen as the favourite in financial markets – that conversion rates be determined by calculating average rates over e certain time period.

This appears to contravene the stipulation that rates be determined at the start of monetary union. It could also create insuperable practical problems – for example, it would almost inevitably result in conversion rates different from prevailing market rates on December 31 1998.

Mr Gros and Mr Lannoo calculate that e 1 per cent difference between the two rates could result in potential gains or losses of 1 per cent of the value of economic output in certain EU countries.

The danger of exchange rate volatility is another powerful reason to keep the list of participating countries as small as possible from the outset. The research implies that the risk would be greatly reduced if currency union was initially restricted to countries with e long record of stable mutual exchange rates, such as Germany, France, Benelux and Austria.

Emu: Getting the End-Game Right, by David Begg, Francesco Giavazzi, Jürgen von Hagen and Charles Wyplosz, published by the Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB. Tel: 0171-878 2900.

The Passage to the Euro, Working Party Report No. 16, by Daniel Gros and Karel Lannoo, published by the Centre for European Policy Studies, Brussels

Freedom balanced by scrutiny, Page 20

Pressure on Rome after sea deaths

By Robert Graham

Italy's government is under pressure to review its policy of deterring vessels bringing Albanian refugees and illegal immigrants across the Adriatic.

Both the Albanian government and Italy's rightwing opposition have criticised this policy in the wake of an incident last Friday that resulted in an Albanian naval patrol boat being sunk with heavy loss of life.

The controversy comes at e crucial stage in preparations for an Italian-led humanitarian mission to Albania backed by the military. It also risks prejudicing the neutrality Italy has cultivated during the Albanian crisis.

On latest estimates from the Albanian embassy in Rome, 83 people died. Albania declared a day of national mourning yesterday.

In rebel-held Vlore, the southern port from where the boat left and one of two the military force is meant to secure, gunmen fired volleys into the sky to mourn the dead.

Much of southern Albania is in rebel hands after protests at the collapse of popular savings schemes this year spilled into insurrection last month.

The accident occurred when the corvette Sibilla closed in on the Albanian boat 35 miles from the Italian port of Brindisi after it had been warned to turn back. The Italian navy denied ramming the Albanian boat but said it was struck when unexpectedly crossing Sibilla's bow. Being heavily overloaded, it capsized and sank quickly.

The opposition has accused the government of mounting an unwarranted blockade of Albanian ports. Mr Silvio Berlusconi, the opposition leader, staged a tearful meeting with survivors and promised to house three families.

The government insists he had personally endorsed e decision to halt the exodus after it became clear criminals were charging huge passage fees.

Prodi dodges tough budget decisions

By Robert Graham in Rome

The hard-won credibility of Italy's centre-left government, built up over 10 months in office, is in danger of being undermined by last Thursday's weak mini-budget, according to economists.

The measures side-stepped any sustainable cuts in public spending that would have made the L15,500bn ($9.2bn) package credible. As a result, the day of reckoning with the unions and the left over reducing the cost of pensions and welfare has been merely postponed.

The government of Mr Romano Prodi has also done little to advance its central policy objective of ensuring Italy is in the first wave of countries joining the European single currency. Instead, the resort to one-off measures and accounting devices in both the 1997 budget and this additional package has highlighted the difficulties of accomplishing this ambition.

Italy is attempting to reduce the budget deficit to 3 per cent of gross domestic product from almost 7 per cent a year. Now, to sustain the deficit just at 3 per cent, economists reckon at least L25,000bn ($15bn) more will have to be found in 1998.

The most telling reaction to the budget came from Prof Franco Modigliani, a Nobel Prize economist who has shown sympathy for the government. In a newspaper letter over the weekend, he called on the government to rethink the entire package because it undermined the credibility of Mr Carlo Azeglio Ciampi, the treasury minister.

Prof Mario Baldassari, an economist with generally moderate views, was just as outspoken: "With this operation the government has effectively said goodbye to the single currency. To respect the criteria of the stability pact would require such an effort in 1998 that, even if this were to happen, we would be delivering a corpse to Europe."

The correction, only three months after the 1997 budget was approved, was necessary because of an overshoot in spending and e shortfall in Treasury receipts resulting from continued stagnation of the economy. By moving so early in the year, Mr Prodi hoped to give a clear signal of Italy's commitment to bring this year's deficit down to 3 per cent of GDP. But his hands were seriously tied on policy by two factors.

The first concerned the threat of the hardliners in Reconstructed Communism (RC) to bring down the government if taxes were raised, or if pensions or welfare were touched. To have ignored RC's threet would have forced the government to rely on opposition votes for a majority. None of the partners in the coalition was willing to face the unpredictable consequences of sucb an initiative.

Then there was the imminence of key municipal elections. Mr Massimo D'Alema, the leader of the Party of the Democratic Left (PDS), the dominant government partner, was reluctant to back provisions that might alienate voters. This meant even a token curb on over-generous pensions was ruled out.

Instead, the government opted for accounting devices. Most notable of these is the resort to raising L6,000bn by forcing companies to make edvance payments on the tax due on "Tfrs" – funds separate from pensions and social security contributions which companies are obliged to set aside for paying employees when they leave. A further L2,600bn will come from e six-month freeze on the "exit" payments made to public sector employees.

Another L4,200bn is due from eccelerating the payment of inheritance tax and the transfer of tax moneys handled by the banks. Postal charges will also go up, bringing in L500bn. Some L1,300bn will be found in e new squeeze on ministerial spending.

Talks will not start with the unions until May, when municipal elections are out of the way. Those negotiations will arguably be Italy's last chance to prove it can keep to the Maastricht timetable.

Le Pen aims to sweep out France's old order

By David Buchan in Strasbourg

Mr Jean-Marie Le Pen yesterday called for France's "corrupt" political establishment to be swept away in next year's parliamentary elections by his far-right National Front, which would then help usher in the "Sixth Republic".

Presenting the Front as the "great alternative" to all other French political parties, its leader wound up e controversial three-day congress in Strasbourg by giving the 2,200 delegates their orders for their "triple mission" of gaining seats in the 1998 parliamentary, regional and departmental elections.

Mr Le Pen told them they had an "historic mission to show all the countries of the world how to keep their national identity in the face of the dictatorship of the new world order". This latter phrase, recurrent in yesterday's 90-minute speech, encapsulates his distaste for the globalisation of the world economy, for supranational bodies such as Nato, the European Union and the World Trade Organisation, and for the US.

In domestic terms, the Front's programme – earlier acclaimed rather than debated by the loyal delegates – would involve sweeping reform of French nationality, curbing dual nationality and giving foreigners residence permits for only one year at e time. It would also give "national preference" to French people over foreigners in jobs and social allowances.

If the Front, which averages about 15 per cent of the vote across the country, were ever to come to power, it would have to break with the EU because many of its propositions run counter to the non-discrimination provisions of Union law. It is also committed to reintroducing the death penalty, which would pose problems for France's adherence to the European Convention on Human Rights.

Mr Le Pen branded all politicians of the Fifth Republic, founded in 1958, as both corrupt and conniving to hide their corruption.

Likening the French state to gruyère cheese because of the many holes in its finances, he said the biggest was that of the Crédit Lyonnais bank, "the cavern of the 400 thieves". The bank losses would cost every taxpayer FFr8,000-FFr10,000 ($1,400-$1,750), "but no one is in prison nor hanging from the plane trees on the boulevards", he said.

Despite what he dubbed a media conspiracy against his movement, "the rise of the Front is irresistible", he said.

He vaunted the achievements of the three southern town halls won in June 1995. The mayors in Toulon, Marignane and Orange had been able to lower taxes by cutting wasteful spending. He cited opinion polls purporting to show an average 46 per cent rate of satisfaction, and 23 per cent dissatisfaction, with the three mayors after nearly two years of power.

However, the more recent municipal victory of Mrs Catherine Mégret in Vitrolles this spring was more in delegates' minds, and they put her husband, Bruno, top in Sunday's elections to the central committee. Second came another ally of Mr Mégret, while Mr Bruno Gollnisch, the other rival to succeed Mr Le Pen, came only third. The 68-year-old Mr Le Pen, who was unanimously re-elected leader on Sunday, shows no sign of slowing down, but "the war of the two Brunos" for the aventual succession appears to be turning in Mr Mégret's favour.

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INTERNATIONAL NEWS DIGEST

S Korea spurs investment

South Korea will increase the foreign investment ceiling in listed companies by 3 percentage points to 23 per cent from May 1 in an effort to boost the Seoul bourse, one of Asia'a worst performing over the past 18 months. The general share index yesterday rose 1.5 per cent in response. The limit is due to rise by 3 points annually between 1997 and 1999, and disappear in 2000. Finance ministry officials suggested the limit might rise another 2 or 3 points later this year if needed to boost the market.

Stricter foreign shareholding limits for public corporations, such as Korea Electric Power (Kepco) and Pohang Iron & Steel, will be increased by 3 points to 18 per cent, while that for individual foreign investors in e listed company will go up 1 point to 6 per cent. Restrictions on overseas borrowing by foreign manufacturers in South Korea will be removed, and foreigners will be allowed to invest in South Korean venture capital companies. State-run banks will increase their foreign loans, while Kepco will seek $1bn in overseas funds by issuing bonds in the US and Europe.

■ South Korea yesterday lifted a ban on private bodies providing rice to North Korea, in e sign of e conciliatory policy toward its starving neighbour. *John Burton, Seoul*

World Stocks, Page 35

US incomes jump 0.9%

US personal incomes jumped in February by 0.9 per cent, the fastest rate in eight months. The Commerce Department figures provide fresh evidence of rapid economic growth. While the surge exceeded market forecasts, the gain in personal consumption was slightly below expectations at 0.3 per cent.

Personal saving as e percentage of disposable income inched upwards to 5.5 per cent from 5.1 per cent in January. However, the impression of a powerful expansionary trend was reinforced by the upward revision of spending and incomes data for January. Personal income was reported to have risen in the month by 0.4 per cent, against a previous estimate of 0.3 per cent, and personal consumption expenditures, in current dollars, were said yesterday to have jumped 1 per cent, compared with a previous report of 0.7 per cent.

Economists said the new data suggested a first-quarter leap in consumer spending of as much as 5 per cent. However, Ms Cheryl Katz, senior economist at Merrill Lynch, predicted it would ease dramatically in the second quarter, as special factors such as an unusually mild winter ceased to have an effect. *Bruce Clark, Washington*

Talks on S China Sea dispute

China has agreed to a Vietnamese proposal for talks to settle a territorial dispute in the South China Sea, ending two weeks of diplomatic stalemate, a foreign ministry statement said yesterday.

The row erupted when Hanoi protested about the presence of a Chinese oil rig in waters off the Vietnamese coast which it said were in Vietnam's "exclusive economic zone". Beijing insisted the rig was exploring in Chinese territory. The dispute is the worst since the two former enemies normalised relations in 1991.

Vietnam's foreign minister, Mr Nguyen Manh Cam, said yesterday he hoped the two sides would meet in Hanoi this week. However, diplomats pointed out that, by apparently agreeing to talk, China might just be buying time for further exploration work, as well as silencing further Vietnamese protests. *Jeremy Grant, Hanoi*

Erbakan given more time

Turkey's military-dominated National Security Council yesterday gave Mr Necmettin Erbakan, prime minister (pictured above right with deputy Tansu Çiller), another month to implement measures limiting the growth of Islamic schools and organisations. The military-dominated council issued the Islamist-led government with list of 18 "recommendations" at its last monthly meeting in February, warning of unspecified "sanctions" if they were not carried out.

The council did not refer to the issue in a brief statement after the meeting. But Mr Zülfikar Doğan, of the newspaper Milliyet, which has close ties to the military, commented: "The military will only underline the [need to heed the] decisions. They are planning to discuss their application at next month's meeting. If nothing has happened, the military will make e tougher statement and urge rapid [action]." If necessary, the military would act to break up the government.

■ Turkey's economy grew 7.9 per cent last year, after expanding by 7.3 per cent in 1996. However, economists say loose fiscal and monetary government policies are mainly responsible. *John Barham, Istanbul*

Israel Chemicals stake sold

The Israel Corporation, a large Israeli investment company, has paid the government Shk667m ($198m) for an extra 17 per cent of Israel Chemicals, a leading chemicals group.

The sale was the first important privatisation move this year for a government pledged to sell off rapidly its extensive holdings in Israeli companies and banks. It came just days after the death of Mr Saul Eisenberg, the chairman of both companies. The Israel Corp held an option to purchase the shares after acquiring 25 per cent in 1995. The state now has 31.5 per cent of the company: 25 per cent more are held by the public.

Israel Chemicals last week reported net profits of $69m on revenues of $1.63bn in 1996 after Mr Eisenberg's successful restructuring programme. This followed a loss of $25m the year before. *Avi Machlis, Jerusalem*

Eisenberg obituary, facing page

Belgian arms bribes charge

Mr Guy Spitaels, former leader of the Socialist party in Belgium's francophone south, has confirmed that he has been indicted on bribery charges. The charges relate to allegations that the party, the second biggest group in Belgium's Christian Democrat-led government, accepted bribes in the late 1980s from arms companies in return for lucrative government contracts.

Mr Spitaels is one of the most influential Belgian politicians to have been implicated in a series of scandals that has seriously damaged the standing of the Socialist party. The charges of "passive corruption" have been made in connection with allegations that the party took bribes from the French aircraft maker Dassault in return for a contract to modernise the Belgian air force.

In 1994 Mr Spitaels resigned as leader of Wallonia's regional government when he was named in another bribes scandal involving the Italian defence company Agusta. *Emma Tucker, Brussels*

OECD faces investment accord delay

By Guy de Jonquières

The world's richest nations have abandoned hopes of agreeing by early summer comprehensive rules for foreign direct investment and say they may be unable to reach a deal before the end of the year.

The accord, which would commit signatories to liberalising and guaranteeing fair treatment of inward investment, has been under negotiation since 1995 in the Paris-based Organisation for Economic Co-operation and Development.

Ministers from the OECD's 29 members had aimed to sign the agreement at their annual meeting in late May. But negotiators say the talks have proven much more complex than expected, and resolving differences will take several more months.

The biggest stumbling block is how to deal with reservations submitted by OECD members which want to exempt specified sectors of their economies from the agreement.

The number and scope of reservations tabled by governments vary widely, making it hard to negotiate the trade-offs needed to achieve a balanced deal.

Negotiators have also yet to agree how far the accord should cover tax issues and financial services, and how it should deal with extra-territorial legislation, such as the US Helms-Burton anti-Cuba law.

Officials say conclusion of an OECD investment agreement may have to await resolution of an international dispute over Helms-Burton, which the European Union is challenging in the World Trade Organisation.

Another problem in the OECD talks is pressure by some governments on the EU to extend unconditionally to all countries investment liberalisation measures taken as part of its single market programme. EU members are resisting these demands.

OECD members have broadly agreed that the accord should cover some types of portfolio investment, including public debt, as well as direct investment. It would be enforced by a binding disputes mechanism.

The US electricity sector is leaping from monopoly to competition

Power industry enters market twilight

Looming deregulation of the US electricity market confronts the nation's power utilities with an uncomfortable choice.

According to Mr Bob Anclien, a partner at Andersen Consulting, their predicament is like that of an inexperienced sailor with one foot in a departing boat and one foot on the pier.

For the protected power monopolies, accustomed only to managing assets and the demands of regulators, and with no experience of competition or marketing, "it comes down to a decision of when to shift their weight", says Mr Anclien.

"Deregulation confronts the industry with decisions it has never had to make before, and the dilemma is compounded by a schizophrenic tendency. They are still living in a regulated world which they cannot abandon. But at the same time they are having to prepare for a competitive future," he says.

That future, according to Mr Jeffrey Skilling, president of the Enron energy group, is much closer and much tougher than many believe. He says market forces will quickly gain the upper hand once unleashed next year.

Trend-setting California will switch to a free-market system on January 1, with Massachusetts, Pennsylvania and Rhode Island expected to follow.

"Regulated structures cannot compete in a merchant business," Mr Skilling told an Andersen-sponsored conference recently. "I predict that in four years more than 50 per cent of end-user markets will be open to third-party suppliers."

Although the speed of deregulation, proceeding on a state-by-state basis, still seems uncertain, there is a mounting sense of urgency among the thousands of electricity concerns which share annual revenues of about $250bn.

Following the UK free-market model, existing utilities are expected to divide into three sectors: generation, distribution and retailing.

But unlike Britain, where the free market was introduced in a controlled, eight-year phased process, the US experience is likely to be more akin to a "big bang".

Power industry must generate a competitive edge Ashley Ashwood

For the early stages, Mr Skilling predicted a "brutally competitive" environment.

Recalling the "chaos" in the gas industry in the mid-1980s, after gas markets were opened up, Mr Skilling said falling prices and profits destroyed the credit rating of the industry, forced Enron to slash costs more than 70 per cent, and saw the departure of all but a handful of the company's top management.

Mr Skilling, whose company has emerged as a front-runner in exploiting domestic and international gas and electricity markets (it controls 17 per cent of US natural gas distribution and has a declared goal of 15 per cent of power sales) has a vested interest in unnerving his competitors.

However, early experiences with limited pilot deregulation schemes have provided startling glimpses of the future: 30 would-be electricity sellers converged last year on a small patch of the territory once monopolised by Public Service of New Hampshire.

The experience in the UK, where 11 of the 12 original regional electricity companies have been taken over, has also be[illegible]ly observed in th[illegible]

Mr Will[illegible] vice-preside[illegible] operations [illegible] wealth Edis[illegible] Illinois utility [illegible] claimed 3 per cent [illegible] of all US power sale[illegible] said competitors had already opened offices on his territory.

Even though ComEd's market was still regulated and its monopoly was still protected, preparations for change were well advanced. In the past two years it had built a 45-strong trading team, led by a Wall Street professional, to buy and sell power in the spot market and hedge commitments.

It had developed a separate service division to tend the 2,500 large industrial and commercial customers which account for a third of its revenues – prime targets for raiders.

The group's basic offering of power had been enhanced with new services and products including energy audits, management systems and indoor air quality controls.

The company was still striving to convince unions in three separate sets of negotiations of the need to move on quickly from the "entitlements" of today's regulated environment. But instilling a sense of urgency was not easy.

A sense of crisis was necessary, he said. "Otherwise the organisation simply won't move."

The $70bn-worth of energy industry mergers and acquisitions in the US last year testify to accelerating consolidation which is increasing the pressure on traditional utilities to adapt to the new environment.

On the other hand, suggested an Andersen executive, Mr Hawk McIntosh, there could also be extraordinary opportunities for established consumer marketing companies to forge alliances with the new-age utilities and add electricity to their expanding range of products and services.

It might only be a matter of time, he said, before the likes of Microsoft, Citibank, Merrill Lynch, AT&T telecoms or even the *L.L. Bean* mail order retailer joined the cruise into the future of the US energy industry.

Christopher Parkes

OBITUARY: SAUL EISENBERG

Industrialist who helped Israel open the road to China

Mr Saul Eisenberg, the Israeli billionaire entrepreneur and shrewd dealmaker, who died in Beijing last week of a heart attack at the age of 76, was widely known for his extensive trade and investment operations in the Far East, especially in China, where he conducted business for two decades.

With a network of political and business connections in China and Israel, Mr Eisenberg facilitated relations between the People's Republic and Israel, and later helped the two forge diplomatic relations.

He was also involved in the sale of Israeli arms and military know-how to China during the 1980s.

As president of United Development Incorporated (UDI), one of the biggest foreign traders with China, he was active in fields ranging from high technology to transport and toys.

UDI was involved in the supply of equipment to more than 280 factories in China since 1978 and maintained 14 offices throughout the country.

"The sudden death of Saul Eisenberg saddened me greatly," said Mr Shimon Peres, the former Israeli prime minister and a close friend.

"Israel has lost an outstanding industrialist, whose contributions to its economy, foreign relations and especially in opening the road to China, will be credited to him for ever."

Born in Munich in 1921, Mr Eisenberg fled Nazi Germany in 1938 and wandered virtually penniless through Europe.

He eventually settled in Japan, where in the early 1940s he established his first company.

The Tokyo-based Eisenberg and Co profited from involvement in rebuilding Japan after the second world war.

In 1968, Mr Eisenberg agreed to move to Israel – on one condition: that this would not force him to pay local taxes on his earnings abroad.

The Israeli Knesset [parliament] passed "the Eisenberg law" exempting Israeli citizens from taxes on their worldwide income.

From his new base in Tel Aviv, he continued to expand his international business operations and invested heavily in a long list of leading Israeli companies. These included the Israel Corporation, an investment conglomerate, and its subsidiary Israel Chemicals, a top chemicals group. Companies in which Eisenberg held an interest accounted for roughly 8 per cent of Israel's gross domestic product.

In a rare interview, the reclusive tycoon revealed to the Financial Times one of the secrets of his success: "A good supplier, and a good buyer, and remember the buyer is always king."

He is survived by his wife Lea, five daughters and a son, Erwin, who is earmarked to replace his father as chairman of Eisenberg's Israeli companies. However, it is not clear where his death leaves his international interests, especially in China, where Mr Eisenberg's personal connections were invaluable.

Avi Machlis
Tony Walker

NEWS: WORLD TRADE

FT writers look at why minimum prices are being reimposed today on Japanese and South Korean imports

Chips are down as EU acts on dumping

Brussels attempts to balance the need to preserve a viable domestic industry and the interests of D-Ram users

One of the European Union's largest and most sensitive anti-dumping cases enters a new phase today when minimum prices are reimposed on imports of the biggest-selling semiconductor chips from 14 Japanese and South Korean manufacturers.

Dynamic Random Access Memory chips – D-Rams – are the basic building block for every kind of intelligent electronic device from video recorders to personal computers. The EU market is Ecu5bn ($5.76bn) a year, of which Japan and South Korea have 80 per cent.

The European Commission was due to reintroduce minimum prices on March 10, after a 21-month suspension, but gave manufacturers a three-week grace period to avoid turmoil in a market where prices have fallen 80 per cent worldwide.

That period ends today, with minimum prices to be reintroduced in stages up to June.

EU users of the components warn that their costs will spiral, while some Japanese and Korean producers have threatened to withdraw supplies if the anti-dumping measures are reimposed.

Users and manufacturers are awaiting completion of a review of the measures, which could decide to modify them.

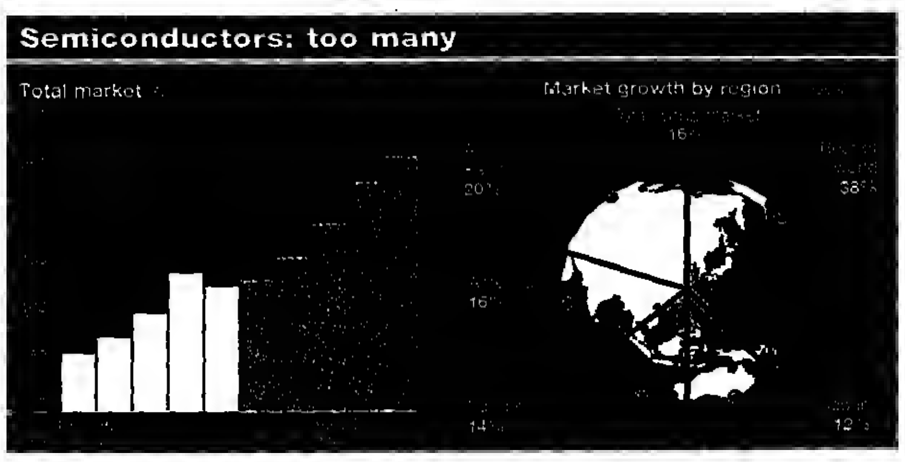
Anti-dumping measures on D-Ram chips

- **Jan 90:** Commission finds evidence of dumping by Japan. Imposes minimum selling prices on 11 manufacturers.
- **March 93:** Minimum prices imposed on three Korean producers.
- **June 95:** After global price rises, Commission suspends measures against Japan and Korea for maximum permitted 12 months.
- **June 96:** EU extends suspension for maximum nine months. D-Ram chip prices fall 80 per cent.
- **March 97:** Commission legally obliged to re-introduce minimum prices but delays to avoid market disruption.
- **April-June 97:** Minimum prices reintroduced in stages.
- **June/July 97:** EU completes review of measures.

The heart of the problem is the need to balance the strategic importance of preserving a viable European D-Ram manufacturing industry, and the interests of manufacturers which use the chips.

In the late 1980s, the Commission investigated a complaint from European manufacturers Siemens, Motorola, and Texas Instruments.

Semiconductors: too many



It found that by selling chips at often below-cost prices, Japan had increased its European market share from 25 per cent in 1983 to more than 70 per cent.

In 1990, the Commission imposed minimum EU selling prices on Toshiba, NEC, Hitachi, Mitsubishi, Fujitsu, Matsushita, Sharp, Uki, Sanyo, Minebea, and – ironically, since its European arm was a complainant – Texas Instruments Japan.

Manufacturers undertook to supply quarterly costs and sales data – verified by Commission spot checks. These were used to establish a "reference" price, based on average prodnction costs, weighted according to producers' European sales volumes, plus a 9.5 per cent profit margin.

Quarterly readjustment aimed to take account of the constantly falling production costs of D-Rams thanks to technological advances.

Te avoid newcomers circumventing the measures, anti-dumping duties of 60 per cent were imposed on other D-Rams imported from Japan, but these were hardly used since nearly all imports came from the 11 manufacturers.

Dumping by South Korean producers forced the Commission to act again. In March 1993, it imposed minimum prices on South Korea's Goldstar, Hyundai and Samsung, this time on an individual, unweighted, production cost plus profit margin basis.

Anti-dumping duties of 24.7 per cent were imposed on any other South Korean D-Ram imports.

After worldwide prices rose, the Commission suspended the measures in June 1995, for the maximum one year permitted by EU law. EU ministers later extended the suspension by nine months.

By then, chip prices were already falling due to global overcapacity. Prices plunged 80 per cent during 1996 – with a significant impact, in particular, on the South Korean economy.

The Commission was meanwhile reviewing whether the D-Ram measures should be modified. But the review was held up, first by EU attempts to join the US-Japan semiconductor agreement last summer, then by negotiations in December over an international Information Technology Agreement (ITA) to reduce tariffs and improve market access.

"We could hardly have negotiated on the ITA while simultaneously demanding information for an anti-dumping inquiry. It would not have looked good," admits one Commission official.

The result was that March arrived without a conclusion to the review, forcing the Commission to reimpose the old minimum prices.

Based on the production cost plus 9.5 per cent profit margin formnla, and the Commission's claim that Japanese and South Korean manufacturers are again selling products below cost, prices of affected D-Rams could rise by a double-digit percentage between now and June.

Most observers expect the review to recommend that anti-dumping measures remain, but industry is pushing for the blanket "reference" price system used for Japan to be replaced by the simple production cost-plus-margin formula used for individual South Korean suppliers.

The reference price often leaks, say industry insiders, and influences worldwide prices; minimum prices set for individual companies more often remain confidential.

While east Asian chip makers and their users will complain, the European Electronic Component Manufacturers' Association (EECA), representing European D-Ram makers, is pressing for measures to continue.

"The whole industry was expecting measures to be reinstated in March," said Mr Eckhard Runge, EECA secretary general.

"We can't accept that in periods of overcapacity, dumping should be allowed to happen."

Neil Buckley

Prices up after move on duties

In the days after the announcement that the EU would reinstate anti-dumping duties on dynamic random access memory chip manufactures, spot market prices for the most common 16Mb chips gained between 70 cents and $1.40, according to Salomon Brothers analysts.

But based on comments by some Korean and Japanese suppliers earlier this year that they were cutting production volumes of 16Mb D-Rams, spot market prices had already rebounded above the $9 level.

Spot prices have risen by between 70 per cent and 90 per cent since they reached their lows in January and contract pricing, which nomally lags spot prices by about $1 on 16Mb chips, had also begun to increase.

Micron Technology, a leading US supplier of D-Rams, suggested that contract pricing had risen from the mid $6 range to the low $7 range.

Based on these changes, most analysts think the EU initiative will have little real effect on memory chip prices. "By the time that full reference pricing takes effect, it may have little to no impact on the D-Ram market," said Salomon Brothers analysts in their weekly semicondnctor report.

European memory chip manufacturers such as Siemens, the German electronics group, which has been investing heavily in semiconductor operations, are also cautious. "It is not easy to say what effect the EU action will have," it said.

One continuing uncertainly concerns the degree to which the Japanese and Korean D-Ram manufacturers have really cut D-Ram production volumes.

Indeed analysts at Salomon Brothers believe current D-Ram spot market prices may be artificially high because of Korean supply decisions.

"Our concerns are that the recent tightening of supply has been caused by Korean firms witholding product from the market rather than by reductions in production levels," they said.

"If this is the case, there may be a building supply of 16Mb D-Ram chips which may hit the market at some point in the future which will adversely impact future D-Ram spot market prices."

Paul Taylor

Asian manufacturers take pragmatic line

Asian semiconductor manufacturers were disappointed abont the EU's reintroduction of reference prices for D-Ram chips, but did not expect it to have a significant impact on their business.

Most large Japanese semiconductor makers have manufacturing operations within the EU and are unlikely to be affected by the tariffs.

Fujitsu, for example, meets European demand with output from its manufacturing facility in the UK, and exports semiconductors from the region to other parts of the world. "It's not something that we see as disruptive," the company said.

South Korea's Samsung Electronics, the world's biggest producer of memory chips, would not comment on the EU action, saying it was too early to determine its impact on sales.

But Mr Matt Cleary, Korean electronics analyst for ABN Amro Hoare Govett Asia, predicted that it would be "largely a non-issue for Korean chipmakers".

"The initial minimum price on imports is low enough not to affect sales mnch," be explained. Although this will later be raised, the main Korean chip companies will probably escape the effects of any rise because they are now building chip plants in the EU.

Hyundai Electronics and LG Semicon are constructing facilities in the UK, while Samsung Electronics operates a joint venture plant with Texas Instruments in Portugal. Moreover, the EU is not now a significant market for Korean chipmakers, which concentrate largely on sales to the US and Asia. The EU accounts for 22 per cent of global chip demand. However, the imposition of a blanket tariff on all memory chips was seen by Japanese makers as unrealistic and unreasonable.

"We weren't surprised that the tariffs have been reintroduced," said a representative of NEC, the largest Japanese semiconductor maker. "Obviously, we don't think the tariffs are necessary, but if the EU is going to impose a tariff it should look at the market more realistically instead of quoting a blanket price on the many different types of D-Rams that are used for different applications and sold at different prices."

Even Japanese companies which do not manufacture semiconductors in the EU and would therefore be hit by the tariffs did not seem concerned. Hitachi said it did not foresee any loss of business – its main concern was the higher prices customers would have to pay for its products.

While the tariffs are unwelcome, says Oki Electric, the company derives only about 10 per cent of its semiconductor sales in the region and does not expect to be seriously affected.

Michiyo Nakamoto
John Burton

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exch. rate	Effective exch. rate
1986	231.0	−140.6	−153.4	0.9836	61.4
1987	220.2	−131.9	−144.1	1.1541	71.9
1988	272.5	−100.2	−107.4	1.1833	67.0
1989	330.2	−99.3	−94.3	1.1017	70.0
1990	309.0	−79.3	−72.7	1.2745	66.7
1991	340.5	−53.5	−6.0	1.2391	65.7
1992	345.9	−65.2	−47.5	1.2957	64.4
1993	397.3	−98.7	−85.4	1.1705	66.3
1994	432.3	−127.0	−125.2	1.1857	65.1
1995	452.3	−122.8	−114.6	1.2828	61.2
1996	486.6	−133.1	−131.9	1.2526	64.4
1st qtr.1996	121.3	−30.9	−28.1	1.2570	63.7
2nd qtr.1996	126.2	−33.0	−32.8	1.2362	64.8
3rd qtr.1996	122.3	−36.6	−37.9	1.2613	64.4
4th qtr.1996	128.6	−32.8	−33.0	1.2557	65.0
February 1996	41.2	−9.4	n.a.	1.2536	63.8
March	41.0	−9.9	n.a.	1.2541	63.6
April	41.6	−10.8	n.a.	1.2421	64.3
May	42.9	−11.9	n.a.	1.2262	64.6
June	41.9	−10.5	n.a.	1.2383	64.9
July	40.0	−12.5	n.a.	1.2563	64.3
August	41.3	−11.4	n.a.	1.2688	64.1
September	41.0	−12.7	n.a.	1.2587	64.7
October	43.0	−10.2	n.a.	1.2538	65.0
November	43.0	−10.1	n.a.	1.2706	64.4
December	42.8	−12.3	n.a.	1.2426	65.5
January 1997	43.2	−14.6	n.a.	1.2105	66.7

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	208.9	94.2	37.2	165.11	127.7
1987	194.7	83.7	75.5	166.56	136.8
1988	218.7	79.8	87.0	151.61	153.7
1989	245.5	70.6	53.4	151.87	147.0
1990	220.0	50.0	28.5	183.94	132.5
1991	249.4	77.7	57.4	166.44	143.7
1992	256.6	96.2	88.7	164.05	150.7
1993	300.3	118.6	112.4	130.31	181.0
1994	325.0	121.7	110.5	120.99	194.9
1995	331.1	101.3	85.3	121.43	204.8
1996	319.9	66.7	52.7	136.24	177.7
1st qtr.1996	79.1	17.7	13.4	132.92	182.0
2nd qtr.1996	81.7	16.3	12.9	132.90	180.8
3rd qtr.1996	78.7	15.7	13.2	137.43	176.9
4th qtr.1996	80.4	17.1	13.2	141.72	171.2
February 1996	26.9	4.5	3.9	132.49	182.1
March	26.2	7.2	5.1	132.84	181.9
April	26.7	3.9	3.5	133.12	180.7
May	28.5	6.0	4.8	130.67	183.1
June	26.6	6.3	4.5	134.91	178.2
July	26.7	4.6	4.3	137.21	176.8
August	26.8	6.2	6.1	136.84	178.2
September	25.4	4.9	2.5	138.24	175.7
October	27.1	5.6	4.4	140.92	172.2
November	27.1	3.7	4.7	142.64	171.3
December	28.1	4.9	4.1	141.59	170.2
January 1997	28.4	5.9	5.5	142.63	166.5

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	*248.5*	*53.5*	*41.8*	2.1279	108.6
1987	*254.4*	*56.8*	*40.6*	2.0710	*114.9*
1988	*272.8*	*67.4*	*42.4*	2.0739	*114.1*
1989	*310.7*	*65.1*	*51.5*	2.0681	113.3
1990	*324.8*	*51.9*	*38.3*	2.0537	118.1
1991	327.8	11.1	−14.6	2.0480	117.1
1992	330.9	16.8	−15.0	2.0187	120.6
1993	325.2	30.6	−11.6	1.9337	126.3
1994	360.3	37.4	−16.6	1.9198	125.6
1995	404.4	45.9	−16.1	1.8509	132.1
1996	416.3	51.9	−14.1	1.8844	128.6
1st qtr.1996	103.0	11.6	−2.9	1.8455	130.6
2nd qtr.1996	101.9	11.5	−3.5	1.8821	128.2
3rd qtr.1996	104.8	14.6	−5.8	1.8884	128.7
4th qtr.1996	106.8	14.2	−2.1	1.9217	127.0
February 1996	34.4	4.8	0.5	1.8377	130.8
March	34.4	4.0	−0.6	1.8528	130.1
April	34.2	4.3	−0.6	1.8715	129.0
May	33.8	4.3	−1.5	1.8826	127.7
June	33.6	3.0	−1.4	1.8921	127.8
July	35.4	5.5	−2.6	1.8868	128.5
August	34.6	4.4	−2.3	1.8808	129.2
September	34.8	4.8	−0.7	1.8957	128.3
October	35.5	4.9	−0.7	1.9157	127.3
November	35.8	5.1	0.2	1.9207	127.3
December	35.5	4.3	−1.6	1.9286	128.2
January 1997				1.9414	125.3

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exch. rate
1986	127.1	0.0	3.0	6.7946	102.7
1987	126.3	−4.8	−3.7	6.9265	102.7
1988	141.9	−4.7	−3.4	7.0354	100.6
1989	162.9	−6.3	−3.8	7.0169	99.6
1990	170.1	−7.2	−7.2	6.9202	103.8
1991	175.4	−4.2	−4.9	6.9643	102.1
1992	182.5	4.5	2.9	6.8420	105.4
1993	179.6	13.3	8.0	6.6281	109.1
1994	196.5	12.9	5.4	6.5659	110.1
1995	222.1	15.9	10.9	6.4480	113.4
1996	231.2	19.2	15.7	6.4068	113.3
1st qtr.1996	58.0	4.7	6.1	6.3281	113.9
2nd qtr.1996	58.2	3.8	2.7	6.3772	113.4
3rd qtr.1996	58.2	5.1	3.7	6.4242	113.2
4th qtr.1996	58.8	5.6	3.3	6.4976	112.5
February 1996	18.9	1.6	1.7	6.3169	113.7
March	19.9	1.6	1.9	6.3434	113.7
April	18.5	0.5	0.6	6.3489	113.9
May	19.3	1.8	0.9	6.3707	113.3
June	18.5	1.5	1.2	6.4121	113.0
July	19.1	1.8	−0.6	6.3965	113.7
August	18.6	2.1	1.9	6.4231	113.2
September	19.5	1.4	2.7	6.4532	112.8
October	20.2	2.5	1.9	6.4770	112.8
November	18.8	1.4	1.1	6.5001	112.6
December	19.9	1.7	0.4	6.5156	111.9
January 1997				6.5512	111.2

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	99.4	−2.5	−1.4	1461.6	101.4
1987	101.0	−7.7	−2.1	1494.3	101.1
1988	108.3	−8.9	−8.0	1536.8	97.7
1989	127.9	−11.3	−17.0	1509.2	98.6
1990	133.6	−9.3	−18.0	1523.2	100.1
1991	137.0	−10.5	−17.7	1531.3	98.7
1992	137.9	−6.0	−21.5	1591.5	95.6
1993	144.9	18.1	9.7	1836.7	80.5
1994	181.4	18.8	13.1	1908.6	77.0
1995	181.1	22.8	20.1	2108.4	69.4
1996	201.8	34.9	21.0	1932.1	75.8
1st qtr.1996	47.9	4.8	−1.2	1976.7	73.2
2nd qtr.1996	51.8	9.9	10.7	1922.3	75.9
3rd qtr.1996	47.8	11.3	6.8	1918.4	76.7
4th qtr.1996	54.9	9.1	2.9	1911.2	77.6
February 1996	16.3	2.1	1.2	1969.6	73.3
March	18.0	2.7	−1.3	1959.1	74.0
April	16.2	2.3	2.4	1944.9	74.8
May	18.1	3.9	4.0	1912.2	76.2
June	17.4	3.7	4.3	1909.8	76.8
July	19.7	6.3	2.7	1916.1	76.6
August	11.9	3.5	5.4	1923.8	76.4
September	18.0	1.4	0.7	1913.2	77.0
October	18.1	4.0	1.3	1911.4	77.5
November	17.1	3.0	1.6	1922.6	77.2
December	18.7	2.2	−0.1	1899.5	78.1
January 1997			−3.9	1896.7	78.2

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	108.3	−14.2	−1.3	0.6708	91.1
1987	112.3	−16.4	−6.6	0.7047	89.3
1988	120.9	−32.3	−24.8	0.6643	94.7
1989	137.0	−36.7	−33.3	0.6728	91.9
1990	142.3	−26.3	−26.2	0.7150	89.8
1991	147.7	−14.7	−11.4	0.7002	90.5
1992	145.9	−17.8	−13.8	0.7359	87.1
1993	156.0	−17.2	−13.8	0.7780	79.9
1994	174.1	−14.0	−3.1	0.7736	80.1
1995	186.7	−14.4	−4.6	0.8190	76.2
1996	206.9	−15.2	−0.0	0.8026	77.5
1st qtr.1996	49.9	−4.5	−1.6	0.8208	75.0
2nd qtr.1996	51.2	−3.7	0.9	0.8113	76.1
3rd qtr.1996	51.4	−3.6	−0.4	0.8113	76.8
4th qtr.1996	54.9	−3.4	1.1	0.7670	82.1
February 1996	16.6	−1.8	n.a.	0.8159	75.3
March	16.7	−1.3	n.a.	0.8212	75.0
April	16.8	−1.5	n.a.	0.8201	75.2
May	17.3	−1.1	n.a.	0.8108	76.0
June	17.1	−1.1	n.a.	0.8031	77.2
July	17.3	−1.4	n.a.	0.8085	77.0
August	16.9	−0.8	n.a.	0.8185	76.1
September	17.3	−1.4	n.a.	0.8070	77.4
October	18.2	−0.9	n.a.	0.7904	79.4
November	18.0	−1.3	n.a.	0.7642	82.6
December	18.7	−1.1	n.a.	0.7465	84.4
January 1997	19.7	−0.9	n.a.	0.7298	86.2

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Formosa plea on China power plant

By Laura Tyson in Taipei

Formosa Plastics, Taiwan's biggest industrial group, yesterday urged the government to reverse its opposition to the company's planned US$3bn power plant in China but promised to withdraw from the project if it failed to win Taipei's approval.

The authorities had earlier launched an inquiry to determine whether Formosa had illegally remitted funds to China to build the thermal power plant in China's coastal Fujian province. Mr Sheu Yuan-dong, the central bank governor, said its investigations thus far had found no evidence that Formosa had sent funds to China from Taiwan.

Last week officials vowed to clamp down on "unauthorised" China investments and promised to impose fines and other penalties on offenders.

"If the government ultimately decides not to allow the investment, the Formosa group will respect the government's policy and abandon this investment project and turn it over to overseas business groups," the group said.

Taiwan share prices slid 1.4 per cent yesterday partly because of the stand-off between the petrochemicals group and the government. Shares in Formosa's four listed units led the losses.

The government wants to slow large Taiwanese investments in China for fear of becoming an economic hostage to its diplomatic nemesis. China regards Taiwan as a renegade province.

The authorities' investigation into whether funds were remitted illegally follows confirmation on Saturday by Mr Wang Yung-ching, group chairman, that work on the plant had begun. Mr Wang last year said the project, announced in June before winning government approval, had been "suspended" after Taiwan's President Lee Teng-hui called on business leaders to slow the pace of investment flows to China.

Mr Wang refused to disclose the source of funds used to commence the project, but insisted the financing methods were legal. It would not be difficult for Formosa to skirt regulations by sending funds from overseas affiliates or holding companies, but it insisted it had not done so.

Taipei has gradually loosened curbs on Taiwanese investment in China in recent years but still bans investment in strategic industries such as power generation and carmaking, as well financial services.

In 1992, Formosa Plastics abandoned a proposal to build a multi-billion dollar petrochemical complex in China – again under government pressure. Instead it is now building an US$11bn oil refining complex in central Taiwan.

Formosa could be hit with a maximum fine of US$545,000. However, the government could in theory punish Formosa by restricting its domestic fund-raising activities in the share, debt and lending markets.

Leap into unknown for Kesri

Days of hard bargaining lie ahead for India's parties, writes Mark Nicholson

With his unexpected decision to withdraw Congress party support from India's minority United Front government, Mr Sitaram Kesri, the party leader, has left Indian politics drifting.

While the move precipitated a crisis for the 13-party United Front coalition – puncturing the revived economic sentiment excited by its recent bold tax-cutting budget – many analysts believe Mr Kesri's act also heralds upheaval in Congress.

It took weeks of political dealmaking last May, among Congress, the Hindu nationalist Bharatiya Janata party (BJP) and a clutch of regional parties, to produce the ideologically diverse UF, whose tenure rested on the support of 142 Congress MPs. The uniting motive was to keep the "communal" BJP from power. But with Congress support now withdrawn, manoeuvring has recommenced.

Several outcomes appear possible. One is fresh elections before summer. Another is a Congress government, to which Mr Kesri has staked a claim but which would require him to prise parties away from the coalition, which has so far rebuffed talk of defections. A third formula was that the next days' horse-trading might spur realignments within both the UF and Congress itself designed to reformulate the coalition, avoid an election and keep the BJP in the cold.

Yesterday's sole certainty was that Congress and UF politicians have just 11 days' bargaining before them. Despite Mr Kesri's appeal for permission to try to form a government, President Shankar Dayal Sharma instead accepted Mr Gowda's request for a "trial of strength" in parliament through a confidence vote, on April 11.

Arithmetic is against the UF, which can count on just 176 MPs in the 543-seat house. The BJP and its allies (208 seats in all), relishing an early election they believe they would win outright, have said they will vote against the UF. A bigger question is what Congress's 142 MPs will decide to do.

Congress leader Kesri: move 'smacks of desperation' Reuter

If Congress fails to annex support from the UF by next week and form a government, a vote to bring down the UF would pitch the party into a general election which most recent opinion polls and local election results suggest would inflict an even heavier defeat on Congress than its historically poor performance last year.

This raises the question why Mr Kesri took such a risk, without even consulting some powerful members of his party and without first securing political support from outside.

The reasons cited in his letter to the president were that the UF's reign had led to economic "drift", rising prices, and a "growing communal menace". His letter also said that law and order in the country had "completely collapsed".

But most commentators have given such pretexts short shrift. Indeed, several newspaper commentators pointed out that, after the UF's widely applauded and business-friendly budget last month, and on the very weekend of the first talks between India and Pakistan in three years, the UF was showing more political direction than ever. "It did seem at long last that the UF administration was beginning to acquire a distinct policy profile," wrote The Hindu newspaper.

Instead, commentators suggested personal reasons lay behind the 78-year-old Mr Kesri's gamble. Among these are his own professed ambition to become prime minister. But many suggest he also believed that the UF – and Mr Gowda in particular – was waging a campaign against him and other Congress leaders through the police and judiciary.

Mr Kesri was said to have become persuaded that several more criminal and corruption cases were soon to be brought against him and colleagues to add to those which have already tainted several Congress leaders, including Mr P.V. Narasimha Rao, the former prime minister, whom Mr Kesri replaced last September.

Mr Kesri's decision, wrote Mr Shekhar Gupta, editor of the Indian Express, "smacks of desperation that comes from deep political and personal paranoia rather than any cold political calculation".

The question now is whether Congress MPs may make their own cold political calculation and decide against an election. "That would be the last choice of most of them," said Mr Pran Chopra, fellow at the Centre for Policy Research in Delhi. Instead, many believe the instinct for self-preservation, nowhere stronger in Indian politics than within the 112-year-old Congress party, may lead to Mr Kesri's isolation and some accommodation with the UF.

But speculation last night on the precise formulation which might emerge from the backroom bargaining was as idle as Delhi's rumour mill was feverish. Whatever happens, it looks likely that political blood is about to be spilled.

Tokyo package aims to spur property market

By William Dawkins in Tokyo

The Japanese finance ministry yesterday delivered its long-awaited package of tax breaks and deregulation measures to stimulate the somnolent property market and enable banks to raise cash from bad property loans.

It includes the imminent removal of restrictions on the sale of property-backed securities, the state purchase of 900 inner city plots worth Y380bn ($3.1bn) over the next year and tax incentives for the redevelopment of underused urban land.

The measures are widely seen as vital to helping resolve the weak financial health of many of Japan's banks, the value of whose loan portfolios has crumbled with the 70 per cent decline in average land prices over the past six years. But they disappointed the market. Details, leaked in advanced, were a factor in yesterday's 1.02 per cent decline in the Nikkei 225 index, ending the fiscal year at 18,003.4.

Property prices could fall even further because banks would have to cut the value of their borrowers' properties to realistic levels if they were to persuade investors to buy securities backed by such properties, said Mr Brian Waterhouse, financial analyst at HSBC James Capel Japan.

Securitisation of property collateral is allowed in Japan, but rare because such instruments are not legally recognised as tradable securities. Securities law is to be amended "immediately" to allow banks and stockbrokers to deal in securitised property loans.

Special purpose companies will be licensed to trade bonds backed by collateralised property, without, as at present, having to pay land acquisition and registration tax as if they were buying the land itself. An existing rule, banning the resale of asset-backed securities for two years, is to be abolished. Trust banks, meanwhile, will soon be allowed to sell the right to receive profits from property-backed loans.

At the latest count at the end of last September, the top 10 banks admitted to Y14,000bn of bad debts, mostly related to property. However, it is unclear how much of that produces enough rent, or is worth enough, to attract investors. On average, the top banks calculate their bad loans are worth 40 per cent of face value. At current rentals, they would need to cut that figure to 10-20 per cent to produce loan-backed securities with an attractive return, analysts estimate.

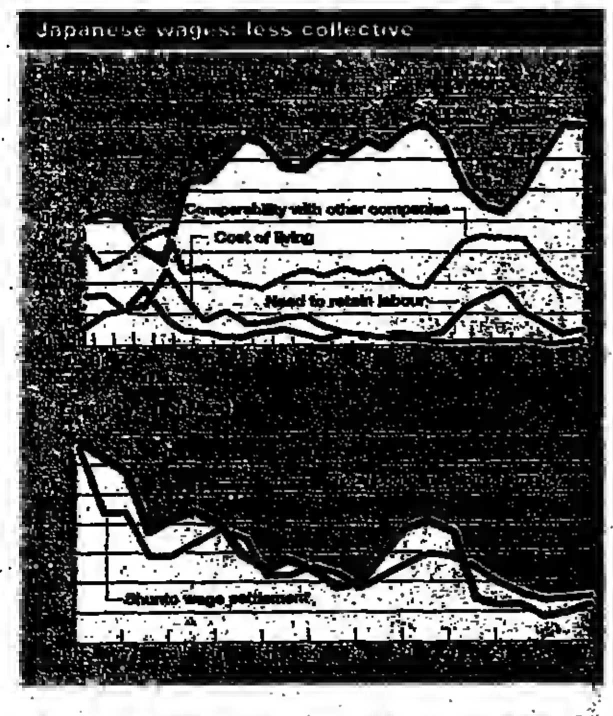
That would mean further big write-offs, which would risk forcing some banks' capital adequacy ratios below the international minimum, so banks will be slow to take the extra write-offs needed to make use of securitisation, Mr Waterhouse said.

● Construction orders received by Japan's top 50 contractors fell 11.1 per cent in February from the same month last year, the fourth monthly decline in a row.

World stocks, Page 35

End is near for wages ritual

By William Dawkins



There used to be a time when Japanese workers' wages, like much else in the economy, advanced in patterned unity across and within industries. It was a feature of an egalitarian society in which employers were expected to award more or less the same increase across the board, irrespective of productivity but safe in the knowledge that the economy would always grow.

The past few weeks have proved that is no longer the case. Japan's annual collective wage bargaining ritual, misleadingly named the *shunto*, or spring labour offensive, a central feature of the lifetime employment system, is drawing to an end. This year's wage awards are nothing like as collective as they were, even in the depths of the recent recession.

On average, basic wage increases will be slightly less than 3 per cent, compared with last year's 2.8 per cent, in line with a modest economic recovery and the near absence of inflation.

The basic wage made up about 70 per cent of total compensation last year. Add in bonuses and overtime, and the increase in total compensation is expected to touch 2.5 per cent in the year starting next month, slightly more than 2.1 per cent in 1996, says the Tokyo office of SBC Warburg.

For several years, average wages have been more flexible than in other industrialised countries, one of Japanese industry's competitive strengths. Nominal wage rises, for example, swung from 4.3 per cent in 1991, just before the recession, to just 0.5 per cent two years later, in the depths of the downturn, and will be around five times that level this year.

But until recently, flexibility within the average has been slight, an aspect of Japan's so-called "convoy system" in which companies perform very much alike, with the strong tugging the weak through rough waters.

Within this year's average pay increase, the divergences between settlements in more and less profitable sectors and companies is unprecedented. Workers at Toyota, the profitable car producer, for example, have been offered a total compensation increase of 4.4 per cent, well above the national average. This year Nissan and Honda were unable to match Toyota in cash terms.

The same pattern is evident between sectors, with the highest pay awards going to internationally competitive industries such as cars, steel and electronics and lower awards to domestically oriented or high-cost sectors such as heavy engineering and power supply.

This tendency has been matched by a breakdown in the former practice of seeking industry-wide awards. Private rail companies this year split into three groups, each of which made a separate pay offer. Resistance from Japan's much weakened trade union movement was negligible.

"For an increasingly large sector of the economy, the *shunto* has become irrelevant. Japanese companies are realising that they have to pay good people more and bad ones less," says Mr Richard Jerram, chief economist at ING Barings Securities in Tokyo.

A recent survey of Japanese employers by the ministry of labour illustrates the point. The proportion which sets pay according to company performance has risen sharply since the turn of the decade, while those which set wages according to what Japanese competitors are paying have declined.

However, Mr Atsushi Seike, a director of Asahi Bank, believes the conventional wisdom is still strong. "Humans are not just objects," he says. "The *shunto* will continue to give way to individual company wage negotiations, as international competition increases," he says. But he predicts the change will be typically Japanese: gradual.

Regulators in City are urged to restrict buying of targets' shares in the market

Curb on hostile bids is considered

By David Wighton, Political Correspondent

Regulators in the City of London are considering proposals that would make hostile takeovers more difficult by restricting the ability of bidders to buy shares in the market.

The Takeover Panel, which oversees the conduct of bids, is being urged to change the rules to limit bidders' market purchases or even to ban the practice. Leading figures from industry and the City are privately lobbying for reforms, and regulators concede change looks likely.

Critics of the current system believe they could be becked by a future Labour government interested in tilting the balance against hostile bids. But change may be opposed by some stockbrokers which carry out the market purchases.

The moves have been prompted by December's takeovar of Northern Electric, which was seen to have been acquired too cheaply by CalEnergy of the US because it was able to make large market purchases.

Mr David Morris, then chairman of Northern, argues that CalEnergy had an unfair advantage because it was able to buy 30 per cent of Northern's shares while the price was depressed by the possibility that the offer would be referred to the UK Monopolies and Mergers Commission. The price recovered when the bid was cleared and the offer received only 20 per cent acceptances. But with 30 per cent in hand, CalEnergy gained control by the narrowest of margins.

"There is no doubt that Northern would have escaped or fetched a higher price if the bidder had not been able to buy in the market," said one investment banker.

In light of the Northern case, the Takeover Panel is reviewing its rules on share purchases. These include the right for a bidder to buy up to 30 per cent of a target's shares in the market before the offer wins regulatory clearance. Mr Morris has called for the ceiling to be cut to 15 per cent, saying: "Such a limit would permit some market activity while preventing a company being delivered to a bidder cold and untried."

The most radical reform would be to adopt the US practice where a bidder is barred from buying in the market once an offer has been made. Supporters say it would uphold the principle of equal treatment for all shareholders. It would also put the bidder on the same level as the target which is barred from buying its own shares.

Critics of the US system say that it encourages share purchases by arbitrageurs and the practice of "greenmail", where a company buys back its shares at above market value to *protect itself from takeover.*

Labour government would hit tax breaks

By Jim Kelly in London

Tax breaks enjoyed by entrepreneurs who sell their businesses while technically non-resident in the UK are likely to be wiped out during the first term of a future Labour government.

Tbe opposition party's finance team is working on proposals to reform the UK law of residence wbicb allows companies to be sold, free of capital gains tax, if the owner has been working outside Britain for a year.

A senior Labour source said tbe party planned an "objective residence test" and wanted to stop businessmen "manipulating the system" to avoid paying 40 per cent tax on the proceeds of selling a UK business.

Labour believes that 18th century rules that define residence as physically being in the UK for more than 182 days in a year are out of date in the age of air travel and global markets.

"Basically the law allows you to nip abroad and pay no tax on the sale of the business," said one tax expert with a leading firm. "It is a very common means of not paying tax and there must be concern that the loophole will be closed."

Tbe move represents a rare pre-election commitment by Labour to go further in cracking down on tax avoidance than the governing Conservatives – who used tbe last Budget to launch an £800m ($1,272m) "spend to save" programme over three years designed to claw back £7bn in tax.

Tax experts believe the Budget forecasts are extremely ambitious and it is understood Labour will be looking at several ways of trying to widen the anti-avoidance net to meet the same savings target.

In 1989, the Conservatives ditcbed Inland Revenne plans to crack down on residence – and the related rules covering the taxation of expatriots in the UK – after what is understood to bave been lobbying by interest groups.

Labour appears confident it can withstand opposition to the move. Significantly, it is less enthusiastic about tackling the rules covering powerful expatriate groups. A source said the matter was "under review", but was "mnch more complicated" than residence.

Under the present UK rules of residence a businessman who stays outside the country for one year whila fully employed becomes non-resident. The same rules apply if the businessman stays abroad for three years without employment. Non-residents can sell assets free of tax. Tax experts believe fears about a crackdown on residence have led to a spate of owner-managers leaving the UK in preparation for a tax-free company sale. "This is the one thing you would do ahead of the election," said one adviser. "The firm is dealing with several at the moment."

● Labour has established a task force to raise numeracy standards and close the skills gap between the UK and aconomic rivals. Mr David Blunkatt, Labour's chief education spokesman, said the task force, to be headed by Professor David Reynolds of Newcastle University, was prompted by the UK's underachievement in mathematics.

Mr Blunkett was speaking at the annual conference of the National Union of Teachers, the biggest teachers' trade union, at which he said that teachers taking industrial action over schools policy would not be tolerated by a Labour government.

"I don't think withdrawing your labour and leaving children without a teacher belps raising standards or the esteem of the profession," he said.

Tories in trouble: the start of the governing Conservative party's campaign for the May 1 general election has been disrupted in the past week by further allegations against some of its senior figures, all of them married. Allan Stewart (left), who beld one of the party's safest parliamentary seats in Scotland, quit after a newspaper printed allegations of an *extramarital relationship. Piers Merchant, a 46-year-old MP and former journalist, has* refused to qnit after another newspaper alleged that he had an affair with a 17-year-old nightclnb hostess. Sir Michael Hirst (right), a former MP, resigned at the weekend as chairman of the party in Scotland, citing a "past indiscretion" after newspaper allegations of a bomosexual affair.

Labour says it is firm on Sinn Féin

By David Wighton and John Murray-Brown

The opposition Labour party yesterday denied that it had softened the conditions it would impose on the admittance of Sinn Féin, the political wing of the Irish Republican Army, to the Northern Ireland peace talks.

The party insisted that there could be no talks with Sinn Féin without a naw and genuine IRA ceasefire. But the governing Conservative party attacked as "dangerous" an interview by Ms Mo Mowlam, Labour's chief shadow minister for Northern Ireland, in which she said there would be a "high possibility" of Sinn Féin being admitted to resumed talks inJune if a new ceasefire had been declared.

Sir Patrick Mayhem, chief Northern Ireland minister in the Conservative government, said it had avoided giving a specific date by which the conditions could be complied with. "To do so would be dangerous," he said, adding that he did not rule out the admission of Sinn Féin in June.

Ms Mowlam's comments on Saturday sparked a row after Sinn Féin described them as offering "a new opportunity for peace". Conservative MPs immediately accused her of undermining Britain's bipartisan approach to Northern Ireland while anti-nationalist politicians in the region threatened to walk out of the negotiations if Sinn Féin were allowed in only weeks after their latest bombings.

Mr Ken Maginnis, security spokesman for the pro-British Ulster Unionist party, said it was naive to believe that the IRA could prove an intention towards peace so soon after the weekend's upsurge in violence.

But Ms Mowlam was backed by one of the small parties with links to anti-nationalist paramilitaries, which said she was "making reasonable sounds towards Sinn Féin".

UK NEWS DIGEST

Imports 'keep car sales share'

Imported cars should maintain their big share of the UK market for new cars this year in spite of steadily rising domestic car production, a study from the Society of Motor Manufacturers and Traders, the industry association, says today. Imports increased to 62 per cent of sales last year. The society expects output of passenger vehicles to continue growing, although at a slower pace. Car production should rise by 1.4 per cent to 1.71m vehicles this year and by a further 1.8 per cent to 1.74m in 1998 on the back of continued strength in production for export, it adds. It predicts that the rise in sales of new cars this year will be more modest than in recent years and says there may be a decline in 1998. *Haig Simonian*

■ MANUFACTURING

Growth 'may be understated'

Growth in UK manufacturing in the past decade may have been understated because of the increased use of "out-sourcing", the Foundation for Manufacturing and Industry, an industry think-tank, says today. It estimates that £4.5bn ($7.1bn) worth of services were contracted out by manufacturers between 1984 and 1994. At the same time, the contribution of commercial services to manufacturing production increased by nearly 50 per cent, indicating that many activities previously part of the manufacturing sector have been reclassified as commercial services. Since 1984, many manufacturing companies have bought in specialist services such as cleaning, information technology and security. Miss Jane Spiller, author of the report, said: "In many cases, the same people are doing the same jobs as before. But now their output is attributed to the service sector, while previously it was attributed to manufacturing."

■ MUSIC AND VIDEO

Superstores take 15% of market

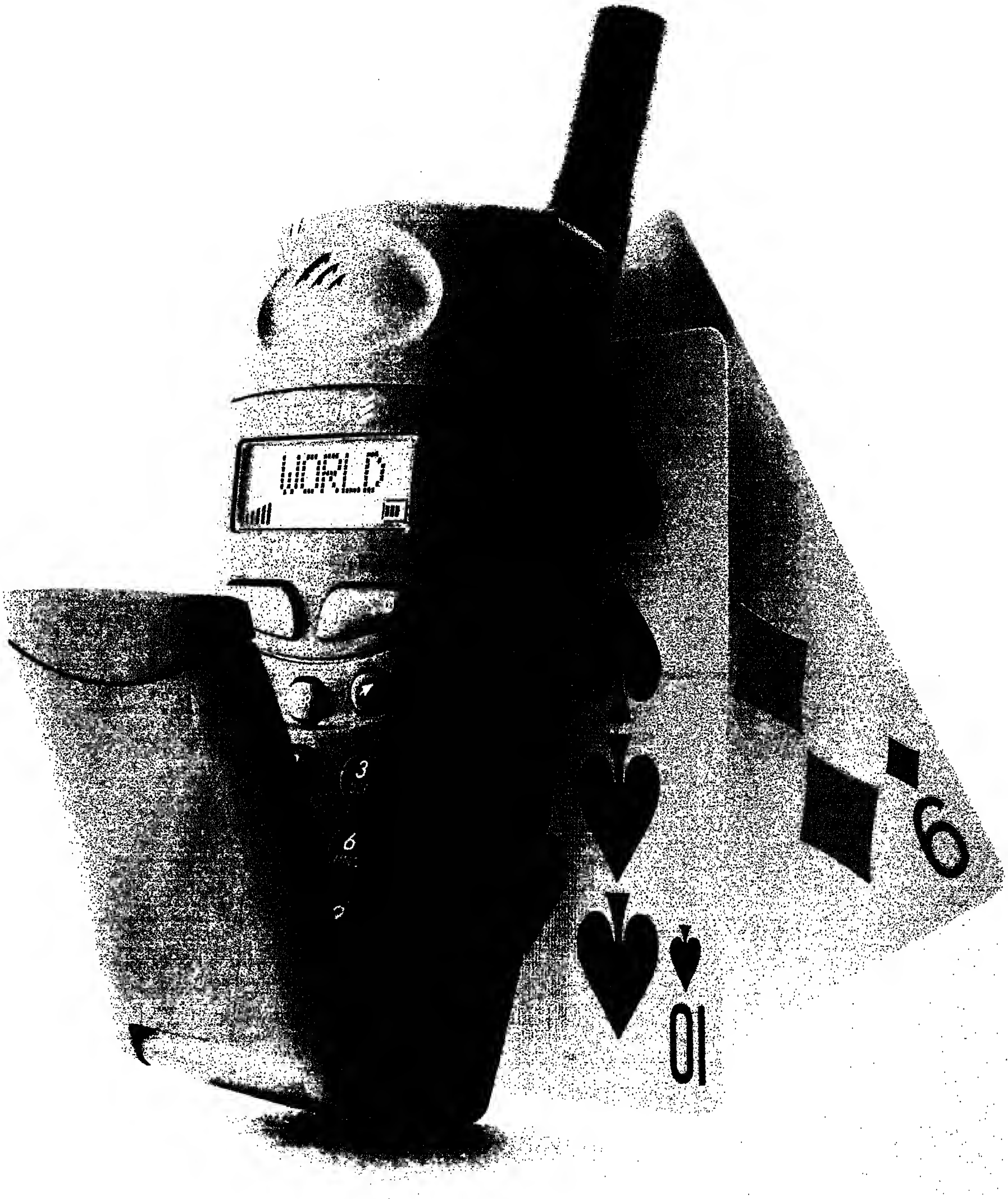
Supermarkets are now responsible for 15 per cent of the music and video market, according to Corporate Intelligence on Retailing, a specialist research consultancy. It says their share may rise to between 20 per cent and 25 per cent of sales by the year 2000. Sales have risen rapidly in the early 1990s, reaching a combined value of nearly £2bn ($3.2bn) last year. But Corporate Intelligence on Retailing warns that the market may be destabilised if supermarkets apply the same aggressive discounting tactics to albums and videos as they have to products such as petrol, clothing and cosmetics. It identifies W.H. Smith and Boots – and record retailers operating from small stores such as Our Price – as the likeliest victims of the supermarkets' expansion. *Alice Rawsthorn*

■ TELEVISION

New channel claims 6m viewers

Channel 5, the new terrestrial television channel which started broadcasting on Sunday, claimed yesterday to have attracted 5.8 per cent of the television audience during peak viewing on Sunday evening – beating Channel 4's 4.7 per cent. The new channel estimated that more than 6m people tuned in on its opening night, in line with its target. Channel 5 hopes to attract 5 per cent of the television audience by the end of the year. *Alice Rawsthorn*

So small, it will change your perspective.



THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ YESTERDAY

API 3.85% Cm Pf 1.925p
Alexon Cv Cm Rd Pf 8.75p
Assoc British Eng 4.9% Cm Pf 2.45p
Do 8% Cv Cm Rd Pf 4p
Atlantic Metropolitan (UK) 12% Cv Un Ln 1991/97 £6.0
Australian Industry Dev 10½% Bd 1999 £105.0
Automotive Products 3½% Cm Pf 1.75p
Do 4.55% 2nd Cm Pf 2.275p
Do 8% Cm Pf 4.5p
BAA 8½% Bd 2021 £42.50
Do 11¾% Bd 2018 £587.50
BG 7⅝% Bd 2000 £76.25
Do 8⅛% Bd 2003 £81.25
BP America 8⅝% Gtd Bd 1999 Ecu86.25
Bemrose 7½% Cm Pf 2.625p
Boot (Henry) 5¼% Pf 2.625p
Bridon 7% Non-Cm Pf 1.225p
Bristol Water 11.2% Rd Db 2005/09 £5.60
Do 11¾% Rd Db 2004 £5.875
Do 12½% Rd Db 2004 £6.25
British Inv Tst 11⅛% Sec Db 2012 £5.5625
British Land 10½% 1st Mtg Db 2019/24 £5.25
Do 9⅜% 1st Mtg Db 2028 £4.6875
Do 11⅜% 1st Mtg Db 2019/24 £5.6875
British Telecom 12¼% Bd 2003 £306.25
Do 12¼% Bd 2006 £306.25
Brixton Estate 11¾% 1st Mtg Db 2018 £5.875
Cable & Wireless 7% Cv Un Ln 2008 £3.50
Capital & Counties 6¼% 1st Mtg Db 1993/98 £3.125
Do 8¾% 1st Mtg Db 1994/99 £3.375
Credit Foncier de France 14¾% Gtd Ln 2007 £368.75
Chubu Elec 7⅜% Nts 2001 C$73.75
Churchbury Estates 8% Un Ln 2000 £4.50
City Site Estates 5¼% Cv Pf 2.625p
Do 10½% 1st Mtg Db 2017 £5.25
Cleveland Place 5% Rd Db 2000 £2.50
Do 12⅛% Rd Db 2008 £6.0625
Coats Viyella 4.8% Cm Pf 2.45p
Commercial Union 8⅜% Cm Irrd Pf 4.1875p
Cooper (F) Cv Ptg Pf 3.25p
Dai-Ichi Kangyo Bank 3⅞% Cv Bd 2004 $96.875
DAKS Simpson 5% Cm Pf 1.75p
De Beers Centenary Fin 8¼% Gtd Un Ln 2009 £4.125
De La Rue 2.45% Cm Pf 1.225p
Drummond 8% Cm Pf 2.8p
Eastern 8⅜% Bd 2004 £83.75
Do 8½% Bd 2025 £85.0
Eclipse Blinds Cv Pf 3.375p
Do Rd Pf 3.375p
Edinburgh Small Co's Tst 7¾% Db 2023 £3.875
Emhart 6% Cm Pf 2.1p
Finsbury Tst 5¼% Cm Pf 2.625p
Firth Rixson 11.05% Cm Cv Pf 5.525p
Fisons 5⅞% Un Ln 2004/09 £2.9375
F & C Emerging Mkts Inv Tst 6½% Cv Un Ln 2010 £3.25
F & C Inv Tst 5% Cm Pf 1.75p
Forminster 11½% Cm Pf 5.75p
Framlington Inc & Cap Tst 12.6% Db 2008 £6.30
Fuji Bank 1¾% Cv Bd 2002 $43.75
Fujitsu 3% Cv Bd 1999 $75.0
Fulcrum Inv Tst 2.65p
GATX $0.46
Govett Strategic Inv Tst 11½% Db 2014 £5.75
Grainger Tst 10½% 1st Mtg Db 2024 £5.25
Do 11¾% 1st Mtg Db 2024 £5.875
Great Portland Estates 9½% 1st Mtg Db 2016 £4.75
Do 10¾% 1st Mtg Db 2021 £5.375
Greenalls 8% Cm Pf 4p
Greycoat 9½% Bd 2003 £475.0
Haco 10⅝% Sev Db 2017 £5.3125
Halma 11% Cm Pf 5.5p
Haslemere Estates 10¼% 1st Mtg Db 1998/2003 £5.125
Hoyle (J) 5% Cm Pf 1.75p
Invesco English & Int Tst 5½% Cm Pf 1.925p
Do 8⅞% Cm Pf 4.4375p
Do 10⅝% Db 2014 £5.3125
Johnston 10% Cm Pf 5p
Jones Stroud 5.25p
Do 10% Cm Pf 5p
Jupiter Split Tst Ann Pf 6.6p
Do Package Units 39.6p
Kelsey Inds 11¼% Cm pf 5.625p
Kirin Brewery Y8.0
Kvaerner John Brown 4⅞% Sec Ln 2003 £2.4375
Do 5⅝% Sec Ln 2003 £2.8125
Land Sec 6¼% 1st Mtg Db 1993/98 £3.125
Do 10% 1st Mtg Db 2025 £5.0
Do 10% 1st Mtg Db 2027 £5.0
Do 7% Cv Bd 2008 £35.0
Leigh Interests 6% Cv Rd Pf 3p
Lloyds Bank Und Sb 5.57% Step-up Coupon Nts Y2785000.0
Lloyds TSB 8½% Sb Bd 2006 £85.0
London Merchant Sec 10% 1st Mtg Db 2018 £5.0
Lonrho 10¼% 1st Mtg Db 1997/2002 £5.125
Lookers 8% Cv Rd Pf 4p
MEPC 3.65% Cm Pf 1.825p
Do 9¾% 1st Mtg Db 1997/2002 £4.875
Do 12% 1st Mtg 2017 £6.0
Do 8% Un Ln 2000/05 £4.0
MITIE 0.9p
Marston Thompson & Evershed 7% Un Ln 1993/98 £3.50
McCarthy & Stone 7% Cv Un Ln 1999/2004 £3.50
Mercury Keystone Inv Tst 5% Cm Pf 1.75p
Mid Kent 10% Rd Pf 1997 5p
Mitsubishi Elec 2⅞% Cv Bd 2000 $71.875
Do 5¼% Cv Bd 1998 $131.25
Morland 5% Cm Pf 1.75p
Mucklow (A & J) 13¼% 1st Mtg Db 2000/05 £6.625
Nationwide Bldg Scty 8⅝% Sb Nts 2018 £86.25
NEC 2⅞% Cv Bd 2000 $71.875
Do 5¼% Cv bd 1997 $131.25
NEC Fin 10⅝% Db 2018 £5.3125
Do 13⅝% Db 2018 £6.1825
Newcastle-upon-Tyne 11¼% Rd 2017 £5.625
Nihon Doro Kodan 5⅞% Gtd Bd 2000 $293.75
Northern Telecom $0.13
OKI Elec 8.5% Bd 2000 Y650000.0
Oldham Met Borough Council 12.4% Rd 2022 £6.20
PCO Fin 8% Cv Cap Bd 2005 £200.0
Peel South East 8¼% Un Ln 1987/97 £4.125
Petaling Tin M$0.03
Petroleos Mexicanos 14½% Ln 2006 £7.25
Phoenix Timber 8% Cm Pf 2.1p
Plantation & General Invs 12% Cv Un Ln 2001 £6.0
P & O Property 8% Un Ln 1997/99 £4.0
Pubco 11½% Sev Db 2006 £5.625
Readicut Int 6% Cm Pf 1.05p
Do 5¾% 2nd Cm Pf 2.0125p
Reckitt & Colman Cap Fin 9½% Cv Cap Bd 2005 4.75p
RIT Cap Partners 2½% Cv Un Ln 2000 £1.25
Royal Bank of Scotland Ser B Non-Cm Pf $0.70
Do Ser C Non-Cm $ Pf $0.59375
SEP Indl Pf 0.9565p
S & U 6% Cm Pf 2.1p
Scholl 5¼% Cv Cm Pf 2006/11 2.625p
Do 8⅞% Snr Cm Rd Pf 2001/05 4.4375p
Schroder Ventures Int Inv Tst 6¼% Cv Bd 2006 3.125p
Do 7% Cv Bd 2006 3.5p
Scottish Mortgage & Tst 8-14% Stppd Int Db 2020 £7.0
Scottish National Tst Stppd Pf 3.878321p
Do 10% Db 2011 £5.0
Securities Tst of Scotland 4½% Cm Pf £1.575
Do 12% Db 2013 £6.0
Shaftesbury 8½% 1st Mtg Db 2024 £4.25
600 3.15% Cm pf 1.575p
Do 4.55% Cm 2nd Pf 2.275p
Smith (WH) 5¾% Cm pf 2.875p
Smith St. Aubyn 8% Non-Cm Pf 2.1p
Do 9½% Cm 2nd Pf 4.75p
South African Breweries 6.2% Gross Cm Pf R0.062
Southend Property 10½% 1st Mtg Db 2025 £5.25
Stag 11% Cm Pf 5.5p
Standard Chartered 12⅞% Sb Un Ln 2002/07 £6.4375
Staveley Inds 5¼% Cm pf 1.8375p
Sterling Inds 5½% Cm 1st Pf 1.925p
Tate & Lyle 6½% Cm Pf 2.275p
Do 8% Un Ln 2003/08 £4.0
Do 10¾% Un Ln 2003/08 £5.375
Telekom Malaysia 4% Cv Bd 2004 $100.0
Three Valleys Water 4% Irrd Cv Db £2.0
Tops Estates 7½% Cv Un Ln 2020 £3.75
Tor Inv Tst 4¾% Cm Pf 1.6625p
Do 6% Cm Pf 2.1p
Trafford Park Estates 11¾% 1st Mtg Db 2007/10 £5.875
Transport Dev 9¼% Un Ln 1995/2000 £4.625
Trinity Care 7% B Cv Pf 3.5p
Triplex Lloyd 5½% Cm Pf 1.925p
Unilever Cap 9½% Gtd Nts 2000 $92.50
Volex 7% Cm Pf 2.45p
Warburg (SG) 7⅝% Cm Pf 3.8125p
Whitbread 4½% Rd Db 1999/2004 £2.25
Williams Cv Cm Rd Pf 4p
Do 10¾% Cm pf 5.375p
Wintrust 4.4p
Do 5¾% Cv Pf 2.875p
Do 10½% Cm Pf 5.25p

■ TODAY

Airtours Cv Pf 3.1875p
Allied Domecq 9¾% Db 2019 £4.875
Allied Textile 5.2p
Asda Property 10⅜% 1st Mtg Db 2011 £5.15625
Austin Reed 8% Cm Pf 2.8p
Ayrshire Metal Products 3.5p
BET 5% Perp Db £2.50
Baldwin 7% Cm Pf 2.45p
Baxter Int $0.2825
Berisford 5% Cv Un Ln 2015 £2.50
Birkby 2.3p
Blue Circle Inds 5¾% 2nd Db 1984/2009 £2.875
Bournemouth & West Hants Water 8½% Cm Irrd Pf 4.25p
Bowater $0.20
Bristol Water 6¾% Cv Pf 1998 3.375p
Bristol Water 8¾% Cm Irrd Pf 4.375p
Carclo Eng 10½% Cm Pf 5.25p
Carlton Comms 5.5p Cm Cv Pf 2.75p
Chesterfield Props 5¼% Cv Pf 2.625p
Coastal $0.10
Courtaulds Clothing 7½% Cm Pf 2.625p
Craig & Rose 5% Cm Pf 1.75p
Danka Business 6¾% Cv Sb Nts 2002 $3375.0
Dyson (J & J) 2p
Do A N/Vtg 2p
East Surrey 7.8% Cm pf 3.9p
Essex & Suffolk Water 9⅞% Rd Db 1997/99 £4.9375
Do 11.2% Rd Db 2005/09 £5.60
Do 11¾% Rd Db 2002/04 £5.875
Filtronic Comtek 0.25p
First Choice Holidays Cm rd Pf 4.875p
Fiscal Props 7½% Cv Un Ln 2020 £3.75
Fleming Contl European Inv Tst 5% Cm pf 1.75p
Fleming Far Eastern Inv Tst 4½% Cm Pf 1.575p
Do 5% Cm Pf 1.75p
Floral Street 1.5p
GTE $0.47
General Accident 7⅞% Cm Irrd Pf 3.9375p
General Cons Inv Tst 5½% Cm Pf £1.925
Granada 8.765p
Grand Metropolitan 4¾% Cm Pf 1.67181p
Do 5% Cm Pf 0.872603p
Do 6¼% Cm Pf 1.090753p
Greenfriar Inv 4.95p
Hambros 7½% Cm Cv Pf 3.75p
Hampson Inds Cm Cv Rd Pf 1991/2003 3.25p
Hardys & Hansons 6% Cm 2nd Pf 2.1p
Heywood Williams Cm Cv Pf 3.375p
Hull 2½% Rd £1.25
Do 3½% £1.75
Hydro-Quebec FRN Ser IJ Oct 2005 $138.53
ITT Inds $0.15
Illingworth Morris 6½% Cm Pf 2.275p
Do 6½% 2nd Cm Pf 2.275p
Intelek 0.3p
Investment Co Ptg Pf 3.5p
Johnson Matthey 5% Cm Pf 1.75p
Kendall Place 3.5% 1st Cm Pf 1.75p
Kunick 7p Cv Rd Pf 3.5p
Do 8.25p Cv Rd Pf 4.125p
Leeds 13½% Rd 2006 £6.75
Leo 1 Class A2 Mtg Bckd FRN 2035 £1238.91
Leo 2 Class A1 Mtg Bckd FRN 2032 £41.14
Do Class A2 £165.35
Liverpool 3% Rd £1.50
Do 3½% £0.875
London 3% 2007 £1.50
Majedie Invs 9½% Db 2020 £4.75
Marshalls Cv Rd Pf 3.25p
Mentmore Abbey 0.6p
MEPC 10½% Un Ln 2032 £5.25
Mercury Keystone Inv Tst 7¾% Db 2020 £3.875
Do 11⅜% Db 2010/15 £5.6875
Metropolitan Water Lambeth 3% Rd Db £1.50
Do London Bridge Anns £1.25
Do Met Water 3% 1963/2003 £1.50
Mid-Sussex Water 10% Rd Db 2013/17 £5.0
Do 12% Rd Db 2010 £6.0
Morgan Crucible 3.85% Cm 1st Pf 1.925p
Do 3½% Cm 2nd Pf 1.75p
Network Tech 0.5p
Nobo 2.2p
Northern Elec Cm Irrd Pf 4.0305p
P & O 5% Cm Pf £1.75
PSIT 2.5p
Port of London 3½% 1949/99 £1.75
Prowting 8.8% Cm Pf 2002 4.4p
Queens Moat Houses 10¼% 1st Mtg Db 2020 £5.125
RCO 11.05p
REA Fltg Rate Un Ln 1995/98 3.375p
Reading 3½% £1.75
Rep New York $0.46
Rexam 7¾% Cv Pf 3.875p
Rio de Janeiro 5% Gold Bd 18.25p
Royal & Sun Alliance 7⅜% Cm Irrd Pf 3.6875p
Sabre Lease Mngmnt 7¼% Mezz Sec Nts 2001 £181.25
Do 5.8% Snr Sec Nts 2001 £1450.0
Sara Lee $0.21
Sears Roebuck $0.23
Shell Trans 5½% Cm 1st Pf 1.925p
Smith (WH) 5.25p
Southern Newspapers 5p
Spain 4% Sealed Bd £2.0
Standard Chartered 7⅜% Non-Cm Irrd Pf 3.6875p
Do 8¼% Non-Cm Irrd Pf 4.125p
State Bank of New South Wales 8% Bd 2003 NZ$80.0
Stewart & Wight 8% Cm Pf 0.75p
TR Far East Inc Tst 1.7p
Taylor Woodrow 8½% 1st Mtg Db 2014 £4.75
Treasury 2½% £1.25
Treforest Silk Printers 8% Non-Cm Pf 2.1p
Vickers 5% Non-Cm Pf £1.75
Do 5% Non-Cm Pf 1.75p
Do 5% Cm Pf 2.5p
Whitbread 5½% 3rd Cm Pf 1.925p
Do 5¾% Irrd Un Ln £2.875
Willis Corroon 1.65p
Witan Inv 8½% Db 2018 £4.25
Woolcombers 7½% Cm Pf 2.625p
Do 6% Cm 2nd Pf 2.1p
Xerox $0.32

■ TOMORROW

Abbey National Treasury 8% Gtd Bd 2003 £80.0
Annington Fin No 1 Sec FRN 1997/2006 £161.04
Asda 0.81p
Bilck 9.5p
BOC 12¼% Un Ln 2012/17 £6.125
Copyright Promotions 0.5p
Du Pont 8% Nts 2002 $80.0
FI 1.7p
Heritage Bathrooms 2.2p
Holliday Chemical 3.15p
IES 1p
London Pacific $0.18
Macro 4 9.7p
Maruetsu 6.45% Bd 1997 Y645000.0
Do 6.45% Bd 1998 Y645000.0
Mercury Grosvenor Tst 4.5p
New Zealand 8% Bd 1997 $400.0
Nursing Home Properties 1.5p
Primary Health Properties 1.2p

■ THURSDAY APRIL 3

Abacus Recruitment 0.5p
Banks (Sidney C) 4.25p
Bradstock 4.1p
Fleming Smaller Co's Inv Tst 1.3p
Impala Platinum R0.30
Italy 9⅜% Nts 1997 $937.50
Marling Inds 0.12p
Murray Split Cap Tst 2.9p
Do Units 29p
Ransom (Wm) 0.848p
Stora B SKr3.75
Usher (Frank) 4p
WMX Tech $0.18
Worthington 0.8p

■ FRIDAY APRIL 4

Amicable Smaller Enterprises Tst 1.34p
British Land 8⅝% Cm rd Pf 2011 £34.4055
BSkyB 2.75p
Britton Cm Pf 2.25p
Brixton Estate 11¾% 1st Mtg Db 2018 £5.875
Burtonwood Brewery 7% Cm Pf 2.45p
Caffyns 6½% Cm 1st Pf 2.275p
Do 10% Cm Pf 5p
Cleveland Place 3¾% Irrd Db £1.875
Do 4¼% Irrd Db £2.125
Conversion 3½% £1.75
Druid 0.8p
Eurocopy 1.76p
Fleming Enterprise Inv Tst 1.55p
Galliford 0.5p
General Cons Inv Tst 3.2p
Guinness Flight Extra Inc Tst 1.75p
Do Units 1.75p
Hydro-Dynamic Prodcuts 1.2p
Liberty Life Assoc of Africa R1.80
Lyles (S) 0.75p
Misys 4.57p
Pace Micro Technology 0.9p
SEP Indl 1.1p
Schlumberger $0.375
Scottish American Inv 1.31p
Second Alliance Tst 15.5p
Do 4½% Cm Pf £1.575
Securicor 1.204p
TR Tech B 10p
Do Units 40p
Tarmac Fin (Jersey) 9½% Cv Cap Bd 2006 £47.50
VDC 1.375p
Yeoman Inv Tst 2.5p

■ SATURDAY APRIL 5

Annuities 2½% £0.625
Annuities 2¾% £0.6875
Bradford Property Tst 10½% Cm Pf 5.25p
CRH 7% Gross A Pf IR2.695p
Consolidated 2½% £0.625
Treasury 8% 2002/06 £4.0
Treasury 3% (1975 or after) £1.50

■ SUNDAY APRIL 6

Abbey National 10⅛% Exch Cap Sec £50.3125
Concurrent Tech 0.1p
Do A Non-Rd Cm Pf 12p
Do B Non-Rd Cm Pf 12p.
Do Cm Rd Pf 15p
Do Cm Cv Rd Pf 15p
Greenalls 9⅛% Irrd Un Ln £4.5625
M-R 1.2p
McMullen 6½% Cm Pf 3.25p
Do 10½% Cm Pf 5.25p
Whitbread 9% Un Ln 1997/2001 £4.50

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
General Consolidated Inv Tst, 49, Hay's Mews, W., 11.15
Herald Inv Tst, 12, Charterhouse Square, E.C., 11.00
Trio Hldgs, 190, The Strand, W.C., 2.30

BOARD MEETINGS:
Finals:
Camas
Hit Entertainment
Inch Kenneth Kajong Rubber
Martin Currie Pacific
Premiere Group
Telemetrix
Interims:
Pressac Hldgs
Sci Entertainment

■ TOMORROW

COMPANY MEETINGS:
Beta Global Emerging Markets Inv Tst, 3, Bolt Court, Fleet Street, E.C., 11.45
BWD Securities, Quayside House, Canal Wharf, Leeds, 11.30
Fleming American Inv Tst, 25, Copthall Avenue, E.C., 12.00
Shandwick, Britannia Inter-Continental Hotel, Grosvenor Square, W., 12.00

BOARD MEETINGS:
Finals:
Camas
Denistron Int
Hewden Stuart
Johnston Press
Princedale Group
Radamec Group
Ultra Electronics
Walker Greenbank
Yule Catto

■ THURSDAY MARCH 3

COMPANY MEETINGS:
Fairway, 35, New Broad Street, E.C., 10.30
Huntingdon Int, Cambridge Garden House Hotel, Granta Place, Mill Lane, Cambridge, 10.00
Serco, Serco House, Hayes Road, Southall Middlesex, 10.00
Verdon, 29, Gresham Street, E.C., 10.00

BOARD MEETINGS:
Finals:
Headlam
Laird Group
Rugby Estates
Senior Engineering Group
United Assurance
Interims:
China Inv & Dev
Wescol Group

■ FRIDAY MARCH 4

COMPANY MEETINGS:
Lex Service, Lex House, 17, Connaught Place, W., 12.00
Metal Bulletin, Stationers' Hall, Ludgate Hill, E.C., 12.00
BOARD MEETINGS:
Final:
AFA Systems

Company meetings are annual general meetings unless otherwise stated.

■ Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive because companies are no longer obliged to notify the Stock Exchange of imminent annoucements.

هگذ امناکل

March of the digital chickens

DATELINE

Tokyo: Virtual relationship computer games, be they boy-girl or girl-chicken, are taking hold in Japan, writes William Dawkins

The Japanese celebrated Easter this year by giving each other a different kind of egg, made of chips rather than chocolate.

For those who missed the publicity, the most prized gift in Japanese homes recently has been the *tamagotchi* – literally "cute little egg" – an oval, pocket-sized chunk of plastic, with a liquid crystal screen on which a tiny virtual chicken lives.

You press various buttons to feed, clean or play with it. If neglected or spoiled, the digital creature emits a piercing beep, eventually mutates into a cross old man, or *oyajitchi*, and dies. If well cared for, it ruffles its feathers, hops about, and lives happily for 10 days or so, a tribute to its proud parent. Press reset and start again.

Tamagotchi has won over the parenting instincts of almoet 1.4m Japanese, mostly young women and girls, since its launch five months ago. It is too early to tell wbether the *tamagotchi* is anything more than a fad, though there have been disturbing television reports that high-school girls, a demanding test market, are beginning to find the virtual pet a bit of e bore.

But for the moment at least the beeping of impatient *tamagotchi* constantly disturbs the peace in trains, bars and offices. A young Japanese relative of mine created a family crisis by selfishly killing her sister's *tamagotchi* – the only one in the family nest – in order to grow one of her own. Long lines form outside toy ebops whenever there is a rumour of an imminent *tamagotchi* delivery. Japan Airlines last week announced it would give away 30,000 of them to frequent fliers.

Soma are making a real killing out of the egg craze. *Tamagotchi* change hands on tha black market, in spite of schoolgirl boredom, for up to Y50,000 (£250, or $400), 25 times the retail price. An Osaka gangster was arrested last month for demanding Y5m "apology money" from a eupplier who was three weeks late with a delivery.

Egg fever has even become a danger to traffic. The police have issued a warning after accidents caused by drivers attempting to cater to *tamagotchi* needs while at the wheel.

No one has been more surprised by all this than the creatures' creator, Bandai, Japan's largest toy company, which has increased production five-fold to keep up with demand. New versions, with a fish, an angel and forest animals, are on the way. US sales start in May, with Europe some time after that.

In June, another generation of *virtual chicks*, to *be named tamapichi* will start to appear on the digital displays of Bandai mobile telephones. The mobiles will be able to transmit the creatures to each other. The breeding possibilities are endless.

The remarkable success of *tamagotchi* is an example of the strength of a relatively new market little known outside Japan – relationship computer games. In another variant, the player brings up, or tries to build a relationship with, a virtual human character. Unlike *tamagotchi, this is a mainly male market.* So boy-girl, rather than girl-chicken is the norm.

The pioneer of snch "love games" is Tokimeki (throbbing heart) Memorial in which the player tries to persuade a virtual idol, Shiori Fujisaki, or one of her virtual girlfriends, to fall in love *with him.* You pick a topic of conversation and type in your replies. Get too cheeky, or make a grab for Shiori's hand at the wrong moment, and she asks to go home. Being too dull or cautious prodncee the same response. Players aleo get marked down for poor grooming and ignorance of arts and sciences. It is endearingly proper.

Outside the screen, Shiori has begun to take on a life of her own, with a fan club, a healthy merchandising business and a compact disc of two somewhat anodyne songs: *Teach me, Mr Sky* and *Let's go with the wind.* She has as many fans as a real idol. Konami, the software games group, has sold 1.1m copies of Tokimeki Memorial since its launch in 1994.

Recently, Shiori has been joined by another virtual heart-throb called Kyoko Date. Unlike her older predecessor, Kyoko is three-dimensional and does not play games. Kyoko, the creation of HoriPro, Japan's top talent agency, is a 16-year-old digital composite of the body of a real-life model, the voice of e well-known singer and the movements of a dancer. Her first music CD is said by HoriPro to be selling well, though I found the music forgettable. Curious? Visit Kyoko's website*.

Some sociologically inclined observers claim, unfairly, that the success of virtual friends, *feathered or otherwise*, proves the Japanese are at heart nerds, more at ease with machines than with peopla. But Tokimeki Memorial players say this is practice, not e substitute, for real life.

The phenomenon could also be another example of that admirably pragmatic Japanese respect for artifice. *Many people*, including this writer, prefer Kyoko to the dozens of real teen idols who screechily occupy time on Japan's growing number of television channels.

The artificial idol is, at least, better programmed than the real ones.

**http://www.etud.inso-tlse.fr/~mdumas/kyoko.html*

Profile: Jürgen Weber, Lufthansa

Pilot for the open skies

When Europe's skies are opened to full competition today, Jürgen Weber, chairman of Lufthansa, will be able to watch its impact from the window of his office overlooking Frankfurt airport's main runway. It is unlikely to be an attractive sight for Germany's national airline – at least not initially.

"New competitors will come on to the scene, new adventurers will appear on our market," he saye. "Some will disappear again." But, until they do, Weber reckons that rivals, wishing to attack Lufthansa on its home ground, could cause a lot of damage by pushing fares too low for some airlines' comfort. Passengers will hardly complain.

Under the liberalisation, any European airline will be free to operate in any country of the European Economic Area – the European Union plus Norway, Iceland and Liechtenstein – and fly between any of its cities, including domestic routes. For fliers, the price-cutting effect of a host of new airlines could prove a bonanza. But Weber does not reckon this will last long, especially in high-cost Germany. Once weaker new entrants drop out, prices could rise again.

Then, the market will be divided between a few big carriers – in which he includes Lufthansa, Scandinavian-based SAS, British Airways and KLM of the Netherlands and some niche operators. "Not all European Airlines can survive, at least not in today's form," he says. The survivors will be those which have "done their homework", namely learnt to exist without subsidies.

Yet the snbsidies granted to some European airlines, notably Air France, are likely to inhibit the sorting-out process. The outspoken Weber has constantly railed against what he calls "a scandal and a malign distortion of competition".

But so far to little avail. Nor is he optimistic about early change, noting that subsidies of some DM15bn ($8.8bn) have been paid to European airlines in the past four years. National politics, he says, always get in the way when the European Commission tries to limit payouts. "But the money will run out sometime. Taxpayers will say: 'that's enough.'"

Until they do, Lufthansa, operating in one of the world's highest-cost countries, will have to live with the problem. Weber also criticises the fact that, while the skies have been liberalised, infrastructure has not. Airport costs remain high, especially in Germany, and ground-services such as aircraft handling and cargo-loading are not due to be thrown open to competition for several years.

Yet Weber is used to dealing with tough challenges. The 55-year-old engineer, whose direct but undemonstrative manner and down-to-earth accent show his Black Forest origins, became chairman in 1991 when Lufthansa faced a financial crisis.

"I didn't know what lay ahead of me then," he admits. Sometimes, he must still wonder as Lufthansa's efforts to lift productivity, cut costs, trim jobs and restructure its operations need to be constantly reinforced in today's competitive airline market. Six years ago, it had too many aircraft, too many people and was too inefficient – certainly in comparison with British Airways, then feeling the invigorating benefits of privatisation.

Today, Lufthansa is leaner, profitable and spreading its wings. "Our prodnctivity is 50 per cent higher than it was six years ago." Weber says. "Bnt we've got to go further because the drop in prices [for airline flights] will continne. It will be *intensified* by the European liberalisation." He has put Lufthansa through intensive restructuring since the early 1990s – carrying trade unions with him, aven though jobs have been shed and wages held down.

The final step in that process was the decision to put its scheduled passenger activitiee, accounting for half Lufthansa's profits, into a separate division this year. This was aimed at cutting costs and improving efficiency, but job losses will be minimal. "You have to have measures that do not involve brutal job-cutting," he says.

To brighten up its intercontinental services, the airline plans to epend more than DM150m revamping its aircraft. *Lufthansa is also talking to* Asian airlines about possible links to extend its route network – its current international alliances include United Airlines, SAS and Thai Airways – and is particularly interested in China and India.

Talks are advanced with British Midland about partnership on European routes, initially between the UK and Germany and later elsewhere. "I am confident we shall be taking the first steps with British Midland this year," Weber says.

Coping with Europe'e open skies is not his only preoccupation. This year the government'e remaining 35 per cent stake in Lufthansa is doe to be sold to private investors for at least *DM3bn. Weber is* delighted, expecting the move to reinforce employees' motivation as well as lift the airline's profile. Full privatisation "has been my personal goal since my first minute as chairman."

Andrew Fisher

FT GUIDE TO:

SHOPPING ON THE INTERNET

I always thought virtual reality shopping was more science fiction than science fact. But they tell me that it's now possible to buy everything from socks to books by computer. So who are all these Internet retailers?

Actually there are thousands of them. They range from tiny Internet-only companies to Wal-Mart (*www.wal-mart.com*), the world's largest retailer, which started offering products over the worldwide computer network last year. Supermarkets have also started to come online and allow consumers to do some grocery shopping et home. In the UK, Tesco (*www.tesco.co.uk*), for example, allows customers in west London and Leeds to order groceries over the Internet. In the US, shoppers in Chicago, San Francisco, Atlanta, Houston and Columbus can order supermarket and drugstore items through a service called Peapod (*www.peapod.com*).

Most people I know still do things the old-fashioned way, trundling their shopping home in over-stuffed plastic bags. Who is actually buying stuff online?

The demographics of Internet shoppers, not surprisingly, match those of Internet users in general – so technologically savvy young men buy the most online. That is changing, however. By 2000, a third of Internet users will probably be women, according to Forrester Research, a technology consulting and research company.

So what are the most popular things to buy online?

Online purchases fall into three main categories. Computer software and hardware were the first goods widely available online and remain the items most commonly purchased over the Internet. Then there are travel-related items, such as aircraft tickets. Many airlines and travel agents will let you look at schedules and buy tickets online. Leisure goods is the third main category, with books, music CDs and video cassettes being particularly hot items. Pornographic materials are also among the biggest sellers over the Internet.

How much are these retailers selling?

Nobody really knows. Forrester, which is quite conservative in its assessment, estimates that internet retailing in the US generated about $536m (£337m) in revenues last year. It says that could grow to $7bn by the turn of the century. *International Data Corporation*, another technology research group, says the figure could be more than 10 times this amount – as high as $95bn. In other words, growth could be fast or astoundingly fast, depending on who you believe. For the moment, though, it represents only a tiny proportion of total US retailing revenues, estimated at $2,400bn by the National Retail Federation.

And is anyone making any money at this?

It is difficult to say. Most of the bigger internet-only retailers are private companies that do not release figures, while most traditional retailers do not break out statistics on their online operations.

Two companies that have put out results are Amazon.com (*www.amazon.com*), the Seattle-based Internet bookseller which filed last week to sell shares to the pnblic, and bookshop.co.uk (*www.bookshop.co.uk*), which made its debnt recently on ths UK Ofex market. The former is much bigger than the latter, but both are making losses. This is mainly because they are investing heavily in technology and marketing to expand their businesses. In 1996 Amazon had a loss of $5.8m on revenues of $15.7m and Bookshop had a loss of £169,863 ($270,082) on revenues of £568,162. The more ambitious a retailer is the more likely it is to make a loss. It doesn't cost much to set up a tiny business, but marketing and keeping up with the latest technology can be very expensive.

What is the main attraction of shopping over the Internet?

The Internet can be a very efficient way to buy things. This is especially true of computer software, which you can download straight from a retailer's site on the Worldwide Web. This way you have it instantaneously without the waste of packaging. It can also be fun. Many of the sites that sell books, CDs and films are entertaining to *browse through because of the information they* provide about the products. For example, Amazon provides book reviews and excerpts for shoppers to peruse. With the right software, shoppers can also listen to parts of CDs and even watch snippets of films.

Sounds fantastic. Why isn't everybody doing it?

As much fun as online shopping is, it can also be incredibly frustrating, especially if you don't have a fast modem on your computer. Just getting on to popular sites can take an excruciatingly long time. And then there are the security worries.

What, are you telling me that Internet shopping isn't safe?

Actually, it's pretty secure. Despite worries about computer hackers, most people think there is not much more risk to electronic shopping than there is giving your credit card number to a catalogue merchant. Almost all reputable retailers use some sort of encryption technology to protect credit card information. Most shopping sites on the Worldwide Web have information about security. It is a good idea to check that the retailer has taken some steps to make sure no one else will be *able to get hold of your credit card number.*

Lisa Bransten

Gerard Baker • Economics Notebook

How the Fed stays ahead

Superior information is the key to successes against inflation

Why did the Federal Reserve raise interest rates last week? The obvious answer is that it concluded the risk of rising inflationary pressures in the US economy warranted it. But the more interesting question is: how did it reach that conclusion and was it right?

The answer appears to be that the Fed, which has an extraordinarily good record among central banks in taking timely action to combat inflation, has much better private information about the *future movement of* prices than outside forecasters.

Economists have speculated for years that the Fed's internal forecasts were more accurate than those used by private sector economists. Now two researchers from the US National Bureau of Economic Research have published a report that appears to confirm this impression*. Christina and David Romer analysed forecasts by the Fed and others over a number of recent years and noted that the central bank'e appeared much more accurate in predicting the actual movement of inflation over the short and medium term.

The difference between the two sets of predictions was so great the researchers concluded that the optimal forecasting strategy of someone with access to both forecasts would be to put no weight on the commercial estimates whatsoever. This informational advantage enjoyed by tha Fed extends to predicting the movement of real gross domestic product.

Here the verdict of the report was even more brutal for the private sector. "The commercial forecasters would simply do better if they could discard their own forecasts and use the Fed's," it says.

The analysis helps to explain why the US central bank has had so enviable a record, especially in the recent past, at managing domestic demand. Thanks in part to timely monetary policy adjustments by the Fed, the US economy has grown on a remarkably steady path since the end of the last recession in 1991, *fluctuating only marginally* from quarter to quarter around its long-term potential trend rate of growth.

The Fed probably exploited its informational advantage to greatest effect in the period 1994-95. Taking almost all commercial forecasters by surprise, *in January 1994, the central* bank began to raise short-term interest rates.

US rates had fallen over the previous four years to a level close to zero in real terms. This had been engineered partly in response to the recession of the early 1990s, bnt it had been allowed to continue because of the weak condition of the country's banking eector. The Fed regarded it as critical that US banks be allowed to repair their capital base, which had been badly damaged by the growth of non-performing loans from the eharp fall in property prices in the late 1980s.

To facilitate the reconstruction, the central bank adjusted policy to produce an unusually steep yield curve, by cutting short-term interest rates. That

enabled banks to improve the profitability of their lending operations and to make substan*tial capital gains in the bond* market.

But by late 1993, the Fed decided that short-term rates had been low enough for long enough, creating a strong risk of accelerating inflation. The central bank then moved seven times in the course of the next year until real rates had reached 3 per cent.

The key fact here was tha unexpected nature of the Fed's *move. Most private sector economists* completely failed to spot either the timing of the Fed'e move, or how long the tightening phase would last. Many argued tha Fed action would tip the economy into recession. As we now know, it did not, but brought growth back to a stable path, albeit with one or two very sluggish quarters in 1995.

Perhaps the most important finding of the report is that it provides a possible answer to a feature of financial markets that has long puzzled economists.

Following a rate increase by the central bank, a rational-expectations approach would normally predict that long-term rates should fall. Investors would be expected to interpret the Fed's move as likely to improve the long-term outlook for inflation, and should therefore force down yields on longer-dated securities. The inflation premium at such maturities should, in theory, now be smaller.

But empirical evidence suggests the opposite happens. Generally, when the Fed raises short-term rates, long-term bond yields also rise. That is precisely what has happened over the last few weeks. Investors, anticipating a Fed increase, pushed the yield on 30-year treasuries up to a little over 7 per cent from 6.8 per cent a month ago.

Why do markets follow this apparently perverse course?

The report suggests that investors in effect adjust their own forecast of future inflation when tha Fed changes rates. The fact of a Fed increase is interpreted (correctly) as meaning that the outlook for inflation is actually worae than was previously expected. In other words, markets infer that the Fed has unfavourable private information about the likely behaviour of inflation. The report concludes that they are indeed right to do so.

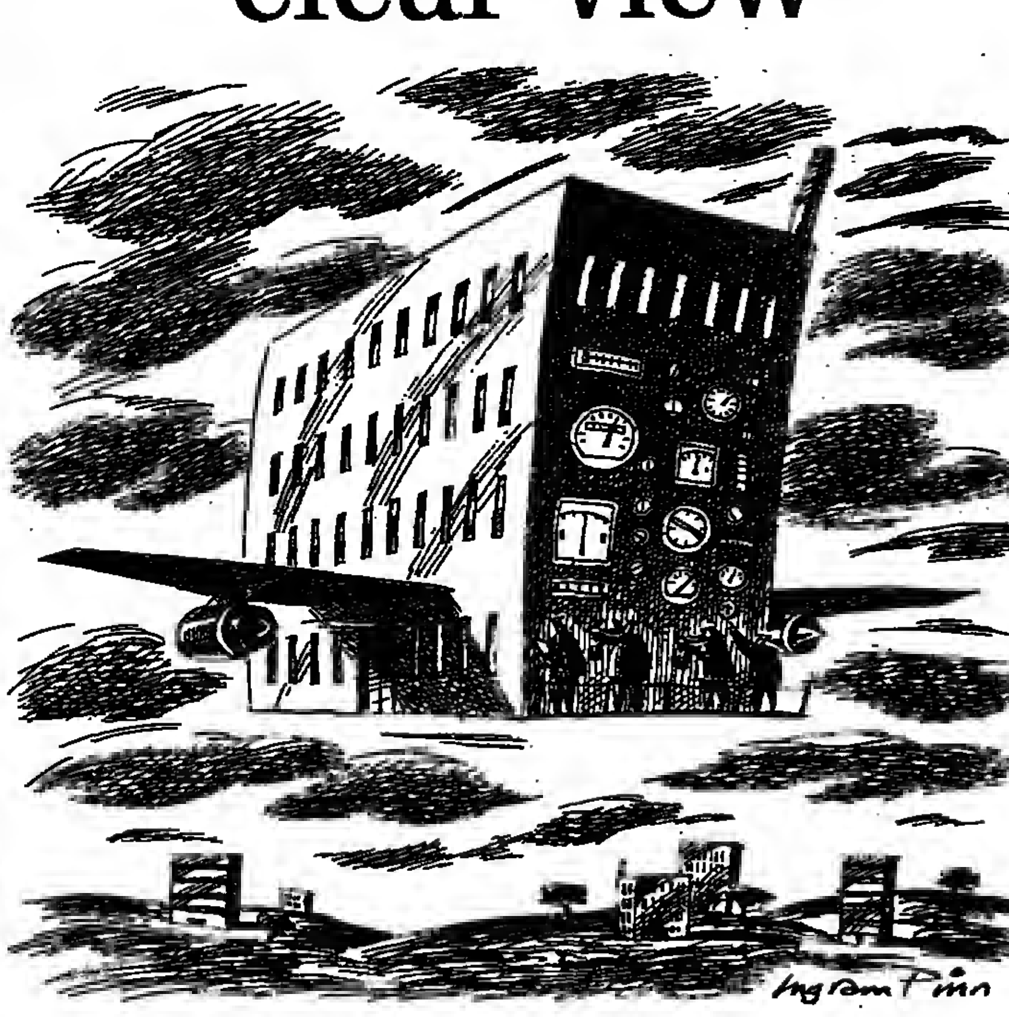
One further queetion not raised by the researchers ie: should the Fed be permitted to keep such information secret?

Though stealth is often regarded as a central bank's chief weapon, surely markets would become more efficient if *they had more perfect information?* Publication of the information might diminish the effectiveness of pre-emptive rate strikes such as the one the Fed launched last week. But it might, in the long-run, improve the inflation outlook by ensuring market participants operated on the basis of much more accurate expectations. That is something any central bank would surely welcome.

**Federal Reserve Private Information and the Behaviour of Interest Rates, By Christina D. Romer and David H. Romer. National Bureau of Economic Research. Working paper 5692*

Charles Leadbeater on the 'Balanced Scorecard' method of business management

Flying with a clear view



Imagine you are on a flight across Europe and just after take-off the captain's voice comes over the public address system.

In a reassuring voice he tells you that the focus of his efforts will be to fly at 300mph. He will not be paying much attention to other measures, such as fuel consumption, angle of flight or altitude, because he feels these are either irrelevant or distracting.

This approach to measurement is not designed to inspire trust in the passengers. Yet it is the approach most companies have taken to setting targets and measuring their performance, according to David Norton, the creator of a new style of business measurement called the Balanced Scorecard.

Norton, the affable president of Renaissance Solutions, the international strategy consultancy, and his partner Robert Kaplan, the Arthur Lowes Dickinson Professor of Accounting at the Harvard Business School, developed the Balanced Scorecard working with a dozen companies in the early 1990s, sponsored by the accountants KPMG.

Its adherents believe the scorecard could become one of the most popular and useful management tools of the decade. It is disarmingly simple, yet comprehensive enough to allow companies to monitor and adjust not only their day-to-day performance but also their strategy.

Norton and Kaplan's research identified two significant deficiencies in most corporate strategies. The first was a measurement gap. Most companies measure their performance using financial ratios, combined with process measures such as quality, productivity and unit costs.

These measures often provide no more than a narrowly focused historic snapshot of how a company performed in the past. They do little to show what it might be capable of in future.

When Norton and Kaplan probed to find which factors determined the companies' success, they found they were often things which went unmeasured, such as customer satisfaction and loyalty, employee commitment and the speed at which organisations learn and adapt.

The second shortcoming was a strategy gap. Many companies embarked on wave after wave of ambitious-sounding improvement programmes, often accompanied by brave, if banal, words from senior executives, only to find that few bore fruit.

Norton and Kaplan came to the conclusion that strategy was rarely translated into action because it was rarely translated into measures that employees could make sense of in their everyday work.

The Balanced Scorecard is an attempt to overcome these two shortcomings. "The scorecard is not a way of formulating strategy," says Norton. "It's a way of understanding and checking what you have to do throughout the organisation to make your strategy work."

The Balanced Scorecard, which is explained in their book of that title, combines several vantage points from which an organisation's strengths and weaknesses can be assessed: the customer perspective; an internal perspective to assess the quality of people and processes; a financial perspective, which accounts for the way shareholders view performance; and a future perspective, which measures how effectively a company learns, adapts and grows.

According to Norton and Kaplan a company's perspective on itself and the world should be built by combining these four perspectives into a single, balanced, integrated view.

For example, imagine a company sets itself an objective of sales growth or market share. The scorecard demands that it translates what that means into measures of customer acquisition and retention, marketing and advertising. To achieve that, however, the company would need to examine what needed to change internally, for instance in working practices or production processes.

Once the need for internal change is understood, it should be possible to assess what new skills and competencies the company needs to acquire to improve its performance. For each of these steps Norton and Kaplan outline a set of measures and yardsticks that companies can use.

The Balanced Scorecard has a growing band of corporate advocates. Norton says 60 per cent of large US corporations use some version of a scorecard that integrates financial with non-financial measures.

In Europe companies as diverse as Skandia, the innovative Swedish insurance company; BP Chemicals; Xerox and Renfe, the Spanish railway company, are among its adherents. Norton is being asked to speak around the world and recently addressed a London conference organised by Business Intelligence.

The scorecard is attracting this following for several reasons. It is simple to understand and use. It is not abstract. It can help to make sense of a strategy both to senior managers and frontline employees, as long as the right measures are used. The scorecard can be conveyed using numbers, but most companies use an easy-to-understand array of graphics, not unlike the instrument panel in an aircraft cockpit, which can be understood almost at a glance.

It is highly flexible, utilitarian and unpretentious. You do not have to commit yourself to a new management theology to adopt it. It allows a company to have a rounded, comprehensive view of its activities, taking into account soft assets such as knowledge and creativity, without being vague or woolly. Norton and Kaplan are measurement wonks, they love numbers.

The scorecard is not without its problems, as Norton acknowledges. What gets measured, gets managed. But what gets measured is often what is easy to measure. Often companies will need to start measuring things that have gone unrecorded. Even if they have much of the basic information, such as customer complaints, collating it will be difficult.

Once companies embark on a more integrated approach to measurement a different problem arises. They start measuring too much, too often. It can become a bureaucratic nightmare.

According to Norton the biggest failing is that companies do not use the measurements to motivate people because they do not link measures to a programme of actions. Getting the right kind of measurement does not solve a problem. A perfect set of scales just tells you how heavy you are; it doesn't do the dieting and exercise for you.

The Balanced Scorecard could be another passing management fad, travelling a familiar journey from the bookshelves, through the conference circuit to the scrapheap. Yet there is some reason to think it might escape that fate.

There is a growing consensus that business needs to augment traditional financial measures, but as yet no-one has managed to come up with a practicable set of tools. There is a recognition, among blue-chip companies at least, that they need to take a broader view of the sources of competitiveness; to take account of soft assets such as brands and people.

Environmental pressure groups are calling on companies to adopt social audits and alternative measures of their impact on society.

The idea of stakeholding, advocated by the likes of Will Hutton and John Kay, calls on companies to adopt a more inclusive approach involving employees, suppliers and the community as well as shareholders.

Even City analysts respond to accusations of short-termism by complaining that they would take a longer-term view of a company's prospects if only they had ways of measuring them.

The Balanced Scorecard is the best answer so far to these diverse concerns. Yet the strongest guarantee that the non-financial measures advocated by Norton and Kaplan will play a large role in corporate life is the outlook facing the accountancy profession. In the UK, for example, on present trends, there soon will be a glut of accountants.

One of the ways the profession could deal with this oversupply is by persuading clients that they should start measuring a lot more aspects of their business.

The Balanced Scorecard. Harvard Business School Press. A transcript of David Norton's conference presentation available from Business Intelligence: 0181 879 3300.

Selecting and designing scorecard measures

The objective is to identify the measures that best communicate the meaning of a strategy. Every strategy is unique, so every scorecard will contain several unique measures. However, in Kaplan and Norton's experience, certain core measures do appear repeatedly on scorecards. These are:

Core financial measures	Core customer measures	Core learning and growth measures
☑ Return on investment/ economic value-added	☑ Market share	☑ Employee satisfaction
☑ Profitability	☑ Customer acquisition	☑ Employee retention
☑ Revenue growth/mix	☑ Customer retention	☑ Employee profitability
☑ Cost reduction	☑ Customer profitability	
	☑ Customer satisfaction	

PARTNERS

Luke Hughes

[illegible]

A strangely unfunny April Fool's day spoof

Lucy Kellaway

I have just been sent a copy of *Why I love Business!* by Stephen Michael Peter Thomas. "The Book That is Sweeping America", and "The World's Number One Business Guru", it says in large letters on the front cover.

Inside the book did not look too bad at first glance. It is based around the following five "learnings":

- Leadership is hard.
- Communication is important.
- Change is different.
- People are human.
- The future is tomorrow.

To the uninitiated, these principles might sound a little obvious, but by the standards of most management books they are refreshing. For a start, they are true, and, furthermore, you can understand them without too much difficulty.

But as I read on I realised something was wrong. "The editors are keenly aware that no single word ordering is likely to meet the specific needs of every individual reader. Accordingly, the words and sentences can be read in any order you choose," it said at the end of the introduction. Later on I learnt that a good way to start meetings is to play a little air guitar, and that a failsafe means of dealing with colleagues who have problems keeping time is to fit them with a collar that delivers electric shocks at precise moments during their working schedules.

Eventually I got it: there is no Stephen Michael Peter Thomas, and *Why I Love Business!* is published on April Fool's day. It's all a great big joke. But I am not laughing.

You might think it was a brilliant idea to do a spoof management book. Much of management writing lends itself to being sent up. But in fact it is strangely hard to do. Anything that you think up as a joke has *already been done in all earnestness.*

The picture on the front cover of *Why I Love Business!* shows Stephen Michael Peter Thomas sitting upside down in his chair. Some people might think that funny. But it is not half as funny as the picture of Tom Peters standing in a pair of boxer shorts on the front of *Crazy Times Call for Crazy Organisations*, a volume which he intended readers to take as gospel.

Compare *Why I Love Business!* to another book published later this month by the same publisher, John Wiley. This second book is called *Challenging Reality, in Search of the Future Organisation*. The publicity material raves: "By embarking on a quest to discover the passion of past human wonder, the book takes us on a breathtaking journey from the Pyramids to the Digital Age, before concluding with a 'Future mindset' for achieving long-term business success." April Fool, surely.

Want to quit the rat-race? Want to have a better, calmer, cleaner life? Here is the perfect job for you. Advertised in the FT last week, the job is chief executive of Tresco (no relation to Tesco) in the isles of Scilly. Tresco is apparently beautiful, warm and has only 120 people living on it. There are no cars, no pollution, no litter, no crowds and no crime.

More unusual still is the fact that the job seems to be open to fairly normal people. In the advertisement there is nothing saying that successful candidates have to be "proactive", or "hands-on", or "team players". There is no mention of "proven track records", nor "in-depth communication skills".

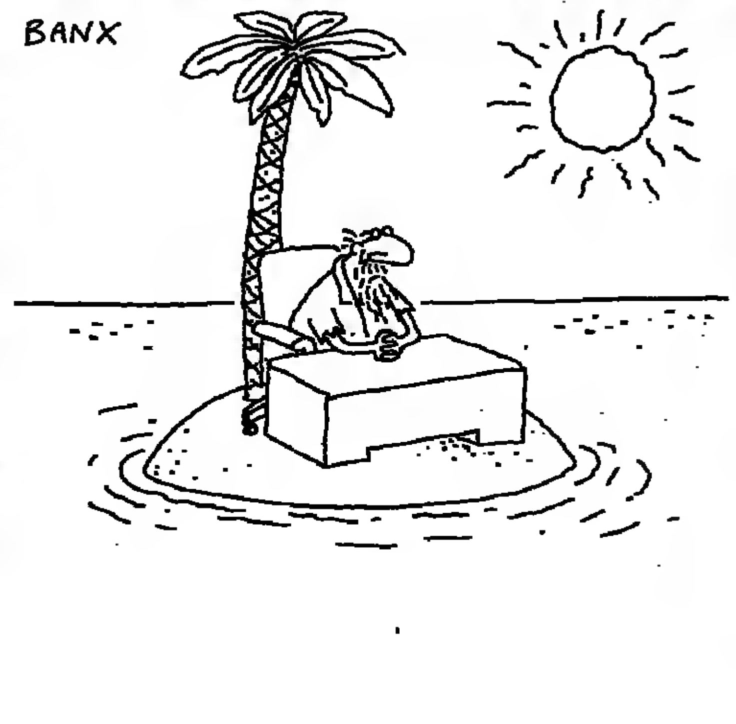
Neither are the tasks that the successful candidate is supposed to carry out too far-fetched. The main job is to make sure that the island's numbers are being crunched properly, and then to "maintain/develop" its commercial activities.

The salary, at only £30,000 to £40,000, may be a bit less than what you are getting at the moment, but then it does come with an island cottage thrown in. What a pity Tresco is insisting on having an accountant. Otherwise my CV would be in the post.

The new boss of the London borough of Hackney was quoted in the FT last Thursday as saying that his council was "run on a basis of departmental baronies, feudalism and piracy", and for that reason he was going to scrap the whole organisation and start it up again arranged on completely different lines.

While he is right to go for the radical solution I feel little optimism over the proposed new structure. In future the top dogs will no longer be responsible for departments such as housing or education. Instead they are to be in charge of waffly new things such as partnership, quality of service or renewal.

I'd have more faith if they'd take the Tresco route and insist on first things first: get in a few thoroughly sensible chaps with a rock-solid grasp of the numbers.



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

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FALKLAND ISLANDS

Fishing has brought wealth to the islands, ending dependence on sheep farming, but oil is needed for long-term economic security, writes **Stephen Fidler**

Daunting prospect of untamed riches

In the 15 years since Argentina invaded the British-ruled Falkland Islands in pursuit of a long-standing sovereignty claim, Stanley, the tiny capital of the islands, has changed from an economic backwater to something of a boom town.

The islanders, once poor colonial cousins, already enjoy a higher standard of living than the average Briton – thanks to fishing. If oil companies exploring in Falkland waters find oil, the islands' 2,200 permanent residents could be richer than the average Knwaiti. Controlling such wealth would be nigh impossible. Yet without oil, the long-term economic viability of the islands remains in doubt.

In 1982, the islands were a near-feudal colony dependent on shrinking revennes from sheep farms, most of them under the control of absentee landlords in the UK. With the economy in possible terminal decline, the islanders, most of British descent, were slowly being drawn against their will into the economic and political orbit of neighbouring Argentina.

The 10-week occupation of the islands by Argentine troops in 1982 reversed decades of British neglect. Galvanised into action, the government of Mrs Margaret Thatcher despatched forces more than 8,000 miles from the UK to oust the invaders.

Mrs. Thatcher committed Britain to the military defence of the islands in the face of Argentina's continuing sovereignty claim. The commitment remains, politically difficult for any UK government to reverse even though the generals who launched the ill-judged invasion have been replaced by elected civilians.

A garrison, now some 2,000 strong, was completed in 1985 at Mount Pleasant about 30 miles outside Stanley, the capital, with a runway capable of taking wide-bodied passenger jets. A twice-weekly Royal Air Force flight provides the islands' main umbilical cord to the UK.

The islanders were given British citizenship, having had it withdrawn in 1981. London increased financial support for the islands, and economic changes eventually led to financial independence from London.

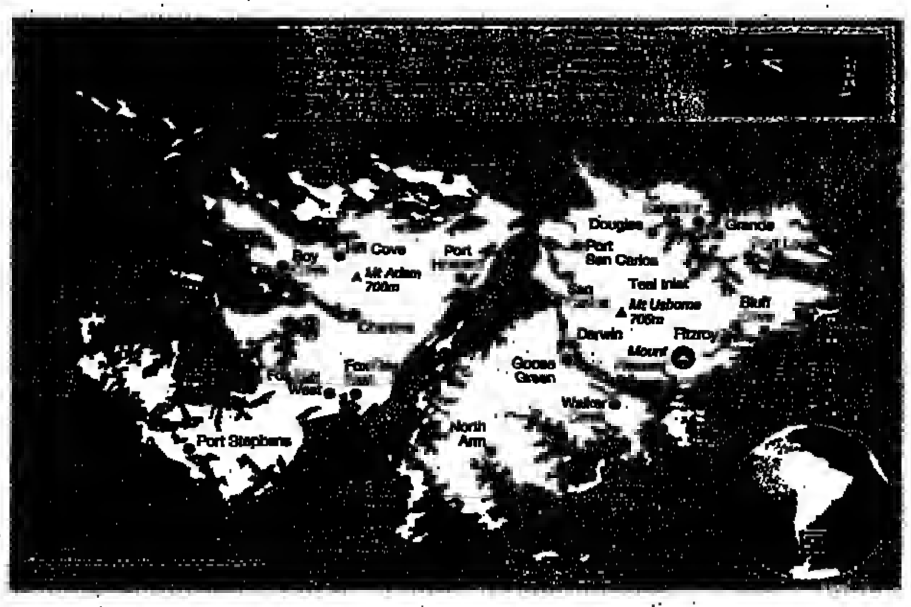
Most of the big sheep farms were broken up and transferred into the hands of islanders. Farm productivity has risen but not by enough – the subdivision of the land coincided with a collapse in world wool prices, leaving the new owners with big mortgages and in deep trouble.

Although the wool price has recovered somewhat, only financial support from the government has enabled many farms to survive. The government continues to finance and explore ways to diversify farming. Past attempts to diversify farming have failed. But wages in camp, as the islanders call the countryside, have fallen well below those in Stanley, and agriculture is experiencing an "uneasy peace", says government chief executive Mr Andrew Gurr.

The farm subsidies – and the improvement in the islanders' standard of living over the past decade – have been financed by fishing. This was the consequence of another change: the declaration in 1986 by the British government of an exclusive economic zone around the islands.

Since the Falklands government started charging foreign fleets for fishing in the waters around the islands, it has collected about £243m to licence revenues – more than £100,000 for every islander.

Stanley, the capital of the Falklands: once a backwater, now a boom town



The most important fishing resource – the illex squid – is migratory and spends most of its life outside Falklands waters. Mr John Barton, the director of fisheries, says overfishing of illex in Argentine waters and in the open seas threatens a collapse in stocks.

The islands' economic survival thus remains tenuous in the medium term – unless oil is found in commercial quantities. Oil company executives speak of an 8 per cent to 11 per cent chance of finding oil, but privately some suggest the likelihood of a significant hydrocarbon find is much greater.

Oil exploitation was made possible by an agreement in 1995 between Britain and Argentina. Each government reserved the right to charge royalties on oil production, but made a tacit commitment that the combined royalty charge would not be prohibitive.

This permitted a successful licensing round late last year. The first exploratory drilling is expected to begin early next year. Meanwhile, another licensing round may be held, this time for a special zone which straddles disputed Falkland waters and those incontestably Argentine.

Yet if oil may secure the islanders' economic future, it also threatens their way of life. A 500m barrel field would generate £1bn a year in government income over 20 years at $18 a barrel. It would imply significant immigration – there is already full employment – and jeopardise appealing facets of island life, such as its lack of crime.

According to Mr Gurr, the chief executive: "The only scenario for rapid growth will be if we discover oil. Then our problem will be controlling what's going on, not deciding what's going on."

Indeed, oil revenues will serve to intensify a predicament that has already been raised by fishing: how to distribute equitably resources that overwhelmingly accrue to an already large and inefficient government – and, in doing so, how to preserve a work ethic in a society which earns its money from economic rent derived from fishing and oil.

The government is already subject to popular pressure to spend the reserves it has built up from fishing revenues – nearly £86m, with a further £44m in a variety of funds earmarked, for example, for old age pensions. Investment income is already the islands' most important source of revenues after fishing.

The government could become less overpowering – for example, by distributing shares in the government land holding company to islanders – but it is not clear that would make much difference. Because of the small size of the economy, privatisation would usually transfer monopolies from the public sector to private hands, leaving the government with the task of regulation.

Oil production would put relations with Britain, and therefore the rest of the world, on a different footing. Fishing has already meant independence from Whitehall's purse strings. The Falklands government has also promised to pay its own defence costs if oil is found.

In part because of the difficulties of defining what the costs of defence really are – the running costs are about £70m a year – the UK government has been pushing for a more specific agreement. Mr Richard Ralph, the Falklands governor, says the British government "sees an advantage in reaching such an agreement before any oil is discovered".

However, the islanders are resisting such pressure and the matter is unlikely to be decided before elections due in October for the council, which manages the islands' affairs, except for foreign policy and defence.

"That's our decision and we should be given a sufficient amount of time to take it. We feel we are being hassled," says Mr Mike Summers, a council member. Whatever the solution, there is resistance to throwing money into the maw of the UK Treasury without having some say on how it is used.

Mr Summers was one of two Falklands councillors who attended a meeting in England in January hosted by Mr Malcolm Rifkind, the British foreign secretary, and attended by Mr Guido di Tella, the Argentine foreign minister. The aim, according to officials involved in the talks, was to explore strong signals from Buenos Aires that the government of President Carlos Menem was considering dropping its claim to the islands.

In the event, Mr Summers and his colleague walked out when the Argentine side raised the possibility of shared sovereignty with the UK under a condominium arrangement.

Argentine officials have depicted this as a significant concession. "It's the first time we have raised the possibility that Argentina doesn't get 100 per cent sovereignty, and this has all sorts of implications," said an Argentine official. But even a half Argentine share in sovereignty is 50 per cent too much for the islanders.

Paradoxically, if the Argentines were to renounce their claim, it would be very hard for the islanders to resist gradual economic integration with the mainland of South America. Until the sovereignty dispute is resolved, however, the islands seem set to remain an oddity: a small, heavily-defended and possibly very rich piece of Britain more than 8,000 miles away from the UK's shores.

OIL EXPLORATION • by Stephen Fidler

Great unknown in economic future

A British-Argentine royalties agreement has paved the way for a $200m drilling programme

Oil is the great unknown in the Falklands picture. If found in sufficient quantities it would further transform e way of life that has changed significantly in the past decade because of revenues from fishing.

That possibility bas been opened up by a 1995 agreement between Britain and Argentina to allow oil development in tbe dispnted waters around the Falklands. In a solution which gets around the competing claims of sovereignty, there was a tacit agreement between the governments not to chase oil companies away by charging excessive royalties.

The Falklands will charge a 9 per cent royalty and – under legislation still to pass congress in Argentina – the Argentine government will charge 3 per cent. Each formally denies the right of the other to make the charge but oil companies have an idea of the maximum royalty they are likely to pay.

An exploration effort estimated to cost at least $200m In the next five years is already under way after last year'a licensing round.

Five consortia put in successful bids for seven blocks in waters 200 meteres to 300m deep to the north of the islands. Twelve companies make up the consortia, which are led by by Amerada Hess, Shell Exploration – these two companies hold the most favoured blocks – Lasmo International with two blocks, International Petroleum Corp of Canada, and Desire Petroleum, a British group formed from UK and Falklands shareholders, also with two blocks. Blocks offered in the deeper waters sonth of the islands were ignored.

A group comprising British Gas and YPF, the privatised Argentine oil company, was among the unsuccessful bidders. But while the failure of tha only Argentine bidder to secure a block was regarded as a disappointment even by the *Falklands* government, all sides have accepted that the bid was not high enough. According to Argentine officials YPF was unwilling to be used as a tool of Argentine foreign policy.

YPF is expected, however, to be among tba bidders in the joint declaration area, south-west of the Falklands, straddling waters which are in dispute and an undisputed Argentine zone. The difficulties this area throws up are likely to be even more complicated than for the first licensing round – but the UK and Argentine governments have announced a target to launch the licensing round in this area by the end of this year.

"At the moment, I'm not confident that we shall meet the target," says Mr David Lang, the attorney-general who sits on the negotiations. "It could be difficult, quite apart from the sovereignty dispute. In the case of Indonesia and Australia – countries that recognise each other – it took years to reach an agreement in the East Timor Sea."

Oil companies say there is technically an 8 per cent to 11 per cent chance of finding oil in commercial quantities in the initial licensing area. Informally, though, many oilmen's "hunches" suggest a significantly greater chance of a worthwhile hydrocarbons find.

Exploration is gearing up slowly, and has already started with more seismic work. Four out of the five groups – all except for Desire – are committed to drill in the first five-year exploration phase. Drilling is expected to start next February, provided the operators can secure a rig – which they are likely to share – which meets environmental standards. No more than two rigs are likely to be used in the early stages and even if oil is found immediately, it is unlikely to be flowing until 2003.

It appears that the impact of this early exploration on the economy will be small. "Exploration for the local economy is a bit of a disappointment, I have to say," says Mr Andrew Gurr, the government's chief executive.

Under the agreement with Argentina the Falklands government cannot force oil companies to use the islands as a supply base, although both sides are free to compete to make their facilities the most attractive.

The port at Stanley is unsophisticatad, but oil industry officials say it is adequate for the supply vessels needed in the initial exploration phasa withont significant alteration. A new port may be needed if oil is discovered, probably further from Stanley in deeper water.

The airfield at Mount Pleasant, the military garrison, may be attractive as a belicopter base. However, the more oil activity that goes to Mount Pleasant, 30 miles from Stanley, the smaller the benefit will be to the local economy.

"If it comes to the point where the government cannot provide for the oil companies, the military facilities are here and we are open to negotiations. If the government can provide everything they want, that's fine by us," says Group Captain Alan Hudson, deputy commander at Mount Pleasant.

Government officials say high environmental standards and new technology should minimise the impact on the islands' environment and wildlife. "A lot of what the public thinks about oil development is rooted in the 1970s, not in the 1990s. The industry is not looking at a giant terminal such as Sullum Voe," says Mrs Phyllis Rendell, director of oil. The expectation is that, unless vast quantities are found, oil will ba transhipped from floating platforms.

Islanders bristle at suggestions that they will turn into oil sheikhs, bnt recognise what oil could do to secure tbeir economic future. A recent document published by elected councillors, Tha Future For The Falkland Islands, says an oil discovery would "certainly enable us to improve standards in many areas such as health and safety and communications. Alongside that lurks the threat of a mushrooming population that might damage our time-honoured way of life".

According to Mr Mike Summers, e member of the islands' legislative and executive councils, finding oil could secure the islands' future.

Minefields (left) have turned parts of the islands into no-go areas, and offer constant reminders of the 10-week Argentine occupation. Because of the mines risk, some of picturesque Yorke Bay, to the north of Stanley (right), is closed to tourists – of whom there are just over 200 a year, along with some 5,000 cruise ship visitors. It offers, though, a sanctuary to nesting birds. Visitors must go further from the capital, however, to see King Penguins (above)

Pictures (left and right): Stephen Fidler

ECONOMY AND SOCIETY • by Stephen Fidler

Camp fires are going out

The population is continuing to drift from the countryside to the capital

Everyone agrees that the Falkland Islands economy has grown rapidly in the past 10 years, almost exclusively as a result of the successful fishing licence regime that began in February 1987. Yet, since there are no estimates of gross domestic product nor, indeed, many other basic economic indicators, nobody knows by how much.

And, while it is also clear that the government looms large in the economy, it is again hard to measure the exact percentage of economic activity that it accounts for.

Government revenues are estimated in the financial year ending June 30 at £41.4m, little changed from last year. Fishing licences will bring in an estimated £20.5m in the current financial year and the second largest revenue source is tha return of more than £7m on govarnment investments overseas.

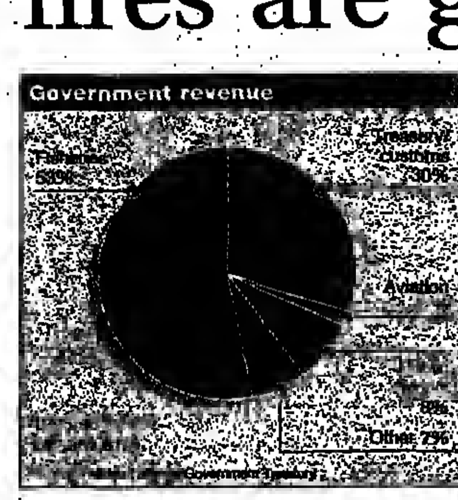
The government employs about half the workforce and government spending after wage and salary payments is inevitably heavily concentrated on imported goods. Overall, the islands imported about £17m of goods in 1995, more than 90 per cent from the UK and most of the rest in South America, with Chile prominent. Wool sales at £3.5m a year are almost the only export commodity.

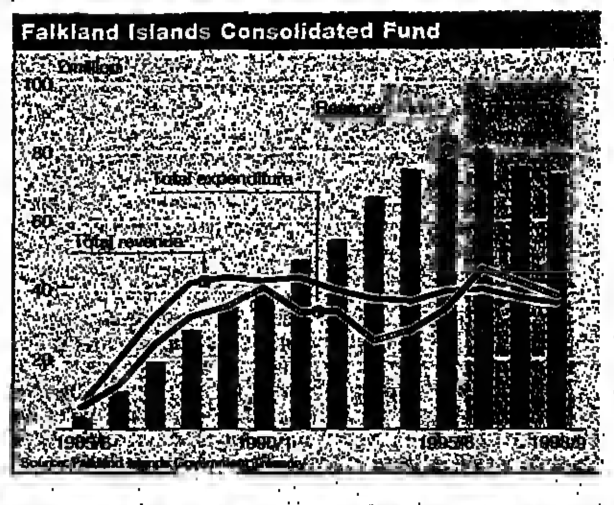
According to tax returns for the 1995 assessment year the average income of the 1,103 taxpayers was £13,900, and total income for taxation purposes £15.3m. Wage levels for government employees have risen between 150 per cent and 250 per cent since 1983, while prices have risen 82 per cent. Old age pensions have gone up by 326 per cent.

Greater clarity is expected from a study being prepared by consultants Coopers & Lybrand into the likely economic consequences of oil production – or of a failure to find oil.

The April 1996 census does provide greater certainty. The population – discounting the personnel at the Mount Pleasant garrison – has been static for the past 10 years. The census counted 2,221 permanent or long-term residents, a figure that hardly changed from that 10 years previously. A further 483 civilians were living at Mount Pleasant with military personnel, the number of whom is usually estimated at 2,000. Among the civilians et Mount Pleasant, males outnumber females 2.7:1.

The permanent population has been roughly static since the beginning of the century, though in 1980, two years before the Argentine invasion, it had fallen to the 20th century low of 1,813 – its lowest level since the 1890s.





The central message of the census is to confirm what any resident already knows: the continuing drift of population from the countryside, known in the islands as camp, to Stanley.

The population of camp fell 31 per cent in 10 years from 653 in 1986 to 445 today, although the rate of decline has slowed since 1991 when the population was 511.

Meanwhile, the population of Stanley grew to 1,636 last year from 1,580 in 1991, and 1,232 in 1986. However, this hides significant turnover in Stanley's population since 1986.

Only 800 of the 1996 residents of the capital were living there 10 years earlier, 208 were living alsewhere in the Falklands and 417 were living overseas.

Of the 2,607 peopla present on census night last April – including the civilians at Mount Pleasant – 1,267 were born in the Falkland Islands, 885 in the UK, and 265 in Ascension Island or Saint Helena.

The census also shows the islands enjoying full employment. According to the commentary on the report by Mr David Lang, the attorney general, the data would appear to indicate that it might be difficult to accommodate any new area of economic activity – such as shore-based servicing of offshore related activities – without immigration, temporary or permanent, in one form or another.

Other fascinating insights into life in the islands emerge from the census figures. Although the smell of peat fires is still present in Stanley, many people are switching from this traditional but labour-intensive fuel for heating and cooking. Some 221 households use it for heating – 108 of them in Stanley – compared with 404 in 1991, 248 of them in Stanley. The majority of households now use oil: 610 in 1996 compared with 356 in 1991.

The census shows a big increase in private vehicle use in the past 10 years, suggesting that it is probably the territory with the highest per capita four-wheel drive vehicle ownership in the world.

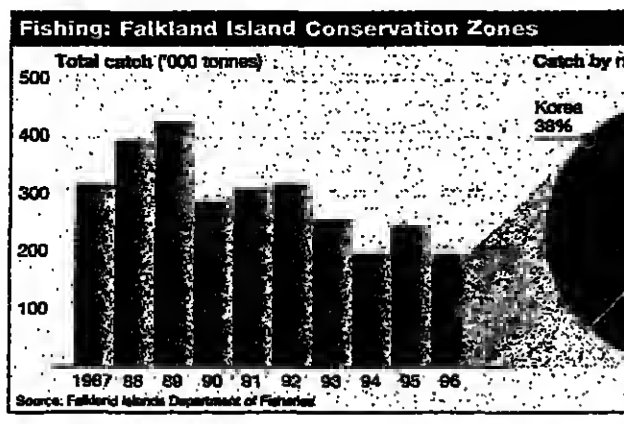
There were 874 four-wheel drive vehiclea in private ownership, more than four times the number of cars. This figure ignores the large number of government-owned vehicles and those in use at the military garrison.

One of the Falklands fisheries protection vessels. The government spends £4m a year on fisheries.

FISHING • by Stephen Fidler

Prize catch slips the net

Politics and overfishing lead to dwindling reserves of precious squid



Source: Falkland Islands Department of Fisheries

Every year in late February and early March, people in the Falkland Islands begin eyeing nervously the migratory patterns of a type of squid. For on this squid – *Illex orgentinus* – has bung for a decade much of the fortunes of the islands.

The illex squid, prized in the Far East, begins its one-year life on the continental sbelf of Argentina before moving ont into the bigb seas. It tben drifts back towards the coast, usually passing through the 200-mile limit around the islands. If the squid use another route, the chances are reduced that fleets will buy licences from the Falklands government.

Illex licences have generated much of the £245m collected in licensing revenue by the Falklands since the 150-mile conservation and management zone came into effect in February 1987. It was extended to 200 miles in December 1990. Before 1987, the sole earnings from fishing was the £1m-£2m a year taken for permitting the shipment of fish in the safe waters of Berkeley Sound.

However, the Falklands' illex licence revenues have fallen since Argentina invited foreign vessels into its waters in 1993, offering lower licensing fees and export subsidies and attracting, for example, most of the Taiwanese ships fishing the south Atlantic.

Last year, the illex catch in Argentine waters was more than three times the 79,803 tonnes caught in the Falklands zone. Even given some exaggeration in the Argentine number – export subsidies may be encouraging over-reporting of catches – illex are also being hoovered up in the high seas.

"The primary issue for the fisheries is conservation," said the Falklands' director of fisheries, John Barton. "There is too much pressure on tbe stock in Argentina and in the high seas. If there is no overall reduction in the fishing effort, we think there is likely to be a collapse in tha illex stock."

There is a procedure for dealing with this: the South Atlantic Fisheries Commission, on which sit officials from Britain and Argentina, with observers from the Falklands as part of the British delegation. Both sides agree the commission has been useful in creating a modus vivendi for fishing in the region and for sharing information.

However, though both governments have in recent years closed the illex season early to conserve stocks, they have yet to reach a long-term agreement to limit fishing. This is seen as a necessary step to create a credible international consensus for restricting fishing on the high seas.

The failure to agree a long-term accord is usually blamed by the British side on the Argentine ministry of agriculture and fisheries, which is variously described as too close to the industry or simply corrupt. For their part, Argentine officials admit a difference in approach between the foreign ministry, which would be more inclined to agree a long-term framework, and the agriculture ministry.

The Argentine government has also expressed concern about wbat it says is overfishing of the blue whiting in Falkland waters. However, the Falklands government expresses some incredulity at this. Mr Barton says there are six vessels fishing for blue whiting, which is any case a low-value fish mainly used in fishmeal, compared with 150-160 fishing for illex in Argentine waters alone. The blue whiting catch last year in the Falklands waters was 23,515 tonnes, down on 38,825 in the previous year.

The second most important species to the Falklands economy in terms of licence revenne is the loligo, or Patagonian squid, the type favoured in Spain. The catch last year dropped by 38 per cent compared with 1995 to 61,360 tonnes, and the government continues to limit the fishing effort.

"We have more applications for licences than we can issue, but we don't compromise on the conservation thing. With loligo we have sold 14 licences for about £3m. We could easily have sold 35 licences and got mnch more revenue." It awarded 19 licences in 1996.

With loligo, the government has had more success in involving Falklands companies in the fishing effort, with Spanish companies proving more open than those from the Far East to sharing the fishing effort. Licences are issued according to a points system, which awards extra points if local investors are involved. This has led to the successful emergence of Falklands fishing companies such as Fortuna and Argos Evergreen. The result has been a growing number of ships registered in the Falklands.

According to Mr Ian Thomson of Argos, the company which was created in 1988 with seven private sbareholders, it took four years "to understand the busineee" and to turn a profit. Now it is diversifying into other fishing areas – for example, to South Georgia and Saint Helena, where it is establishing that territory'e first cold store for fish. It also has a 5 per cent stake in a consortium led by Amerada Hess to explore for oil north of the Falklands.

The points system for licences has proved a more effective and less costly way to allow the domestic economy to benefit from fishing. The government's early attempt to do this led to some some costly disasters, the most publicised of which was Seamount, one of a series of joint venture companies set up between Stanley Fisheries, a subsidiary of the Falkland Islands Development Corporation, and independent trawler companies.

Stanley Fisheries had a 51 per cent stake in Seamount and Seaboard Offshore, an Aberdeen-based company running a small fleet of ships to service oil and gas rigs in the North Sea, had a 49 per cent interest. Seamount bought two trawlers and refurbished them, but they proved unsuitable for the task required.

Officials say the actual losses to tha government of that venture were nowhere near the headline totals of £25m-£30m, bnt the losses ran into millions and the experience was enough for the government to withdraw from such ventures.

FARMING • by Stephen Fidler

Sheep are not paying their way

Getting agriculture right is a massive priority for the government

Roger Spink (left) and Terry Spruce, directors of the Falkland Islands Company, with wool baled for export Picture: Stephen Fidler

For most of its history, farming has been the mainstay of the Falklands economy. Originally a cattle economy – tbe Lafonia region in the southern part of East Falkland was a cattle plain – sheep farming came to dominate and has resisted many attempts at agricultural diversification.

For more than a century, farming was controlled by absentee landlorde wbo installed farm managers, usually from the UK, to run the farms. The largest landlord was the Falkland Islands Company, which at its peak owned 46 per cent of the land.

This semi-feudal system was identified as a critical weakness by Lord Shackleton in his reports on the Falklands economy for the UK government in 1976 and 1982. Ending absentee farming was required to "stem the flow of funds from the islands and to encourage reinvestment of profits", he argued.

The government oversaw the splitting-up of the large farms, resulting in a radical change in land holding patterns. But the prohlems of the farming economy remain as difficult as ever.

When Shackleton made his recommendations, there were 35 farms. Now, after sub-division, there are almost 100. The average farm is 33,600 acres, with an average of 8,200 sheep. Each of the more than 700,000 sheep on the islands requires more than four acres, a ratio which indicates how poor much of the land is.

Absentee ownership ended in 1991, wben the FIC sold almost all its remaining boldings, nearly 900,000 acres, for about £6m to the Falklands government. FIC has one small farm left, and about 40 islands, kept mostly for conservation. The properties sold in 1991 form Falklands Landholdings.

The problem faced by sheep farmers is the wool price, which bas been falling in real terms since 1974. The price fall accelerated in 1989, soon after many of the subdivisions took place. The new owner-farmers were left with mortgages which they could not service because of falling revenues from wool. This has accelerated the drift of population from camp, as the islanders call the countryside.

There has since been some recovery in the wool price but not enough to change the unfavourable arithmetic for the new owners. Sub-division has increased productivity per head, but returns per acre remain little changed, and the total gross value of wool sales is about £3.5m.

This has left the government paying large direct and indirect subsidies to the farmers – a situation that is likely to continue. "Agriculture is extremely undercapitalised, and the gearing is too high," said Mr Andrew Gurr, the government's chief executive.

The consensus in the government is that there is little choice bnt to continue to direct revenues from fishing and from oil, if there is any, to try to sustain farming. This includes improving infrastructure that makes transport from the West Falklands to Stanley almost as expensive as it is from Stanley to the UK.

A consultation document on the future of agriculture has been prepared by Mr Gurr. "No more land can be made," it argues, "fish revenue may be transient, oil may not materialise; therefore getting agriculture right is e massive priority for the government." Summing up, Mr Gurr said: "The solution is diversification."

Mr Hugh Normand, general manager of the government's Falkland Islands Development Corporation, said this should be aimed in the first place at import substitution.

According to Mr Gurr, the land owned by government can play an important role: "Falkland Landholdings is a giant trial farm that can be used in the process, though it's a commercial business and has to make a profit."

In other measures being taken by the government, the FIDC is, with the help of European Union money, building an abattoir that will meet EU standards. This will allow the islands to increase exports of mutton, and more eignificantly in the short-term, to snpply the Mount Pleasant garrison, which currently has to import its meat from Europe because Falklands meat is not killed to EU standards.

The slaughterhouse will enable older sheep to be sold for meat instead of being shot and often thrown into tha eea. It should also encourage cattle farming and allow for substitution of other types of imports.

Another part of the plan is to encourage soil development, something of a holy grail in the past. The Falklands soil is acid and peaty, and there is almost no biological activity. According to Mr Bob Reid, director of agriculture, the key to developing the soil is to find a legume – a plant that transmits nitrogen into the soil – that can grow in acid soils.

The white clover that performs thia function in Europe is not happy in Falklands soils. However, there are other candidates, including apecies of plants from the Faroe Islands and Iceland, that may do the trick.

Although Stanley is on London'e latitude, the sea is much colder because there is no Gulf Stream. Cold summer winds therefore also thwart growth, a factor whicb has thwarted tree planting attempts.

Some farms have supplemented income through tourism. Another successful attempt at diversification has been the dairy farm on East Falkland, which provides an important proportion of the islands' milk. The pasture is improved by nitrogen fertiliser in quantities that would be uneconomic over a larger area.

A hydroponics market garden supplies much of the domestic needs for tomatoes, salad plants, herbs and vegetables, as well as incoming cruise ships and the military garrison. Mr Tim Miller, a former sheep farmer who runs the enterprise, is trying to persuade farmers to move for example, into potatoes. "They can make as much money from an acre of potatoes as they can from 5,000 acres of sheep," he said.

MONOPOLIES • by Stephen Fidler

Too few round the table

The population is not big enough to give competition policies a chance to succeed

The sheer smallness of the Falkland Islands economy makes it a curiosity and generates peculiar economic problems. One that confronts tbe 2,200 islandera every day is lack of competition.

Whereas a monopoly supplier can usually make handy profits, the advent of a competitor would probably ensure two companies making a loss. In the public sector, meanwhile, efficiency is often low. But the incentive to privatise, thereby creating a private monopoly, is also low.

"The economy is so small that we could get away from government monopoly that's at least answerable to the people only to create a private monopoly in its place," said Mr David Lang, the attorney-general.

"We are looking to privatise. Nobody here is wedded to the idea of a big government. It's unhealthy but it's not easy to do something about it. Take electricity supply. What public benefit would there be to privatise it? We'd have to regulate it and it would probably leave the same people doing the same job."

The government is also pessimistic tbat any likely increase in population arising from oil development would do mucb to alter the situation. "We'd need a population of 20,000 to sustain competition," said Andrew Gurr, tbe chief executive.

Tbe government is the monopoly supplier of electricity and water, the country's largest landowner and by far its biggest employer. It runs the internal air service. However, it bas recently privatised waste collection in Stanley.

It has also contracted out the management of the port, Fipase. A tender will be opened this year to take over the management of the port from November. At least one councillor believes that, with tbe possible influx of oil business, competition could be introduced into the port. Others are doubtful.

Until November – and possibly afterwards if its bid succeeds – the port is managed by the second most powerful entity on tbe islands, the Falkland Islands Company.

The FIC used to own 46 per cent of the land on the islands. It has sold nearly all of that, bnt still employs 120 people, making it the second largest employer in tbe islands. It turned over about £14m last year.

Created by an 1851 royal charter, it is now owned by tbe troubled Britisb company, Anglo United. Among other things, the FIC runs the Darwin Shipping line, controls more tban 80 per cent of all retail sales in the island, is the agent for the biggest selling vehicle, Land Rover, runs tbe largest travel agency as well as providing warehousing and other port services.

It has, bowever, stayed out of direct participation in the fishing and oil businesses. "We consciously made a decision that we would act as agents. That's the business we know," said Roger Spink, a director. Critics say it does not have to try too hard to make money. The company argues that it is an important and continuing investor in the economy.

However, it bas no interest in the domestic fuel and ship bunkering market because that is run as a monopoly by Stanley Services, a lone survivor of a raft of joint ventures created by the government in the second half of the 1980s. It has a monopoly until 2023 for fuel supplies unless the government exercises wbat would probably be an expensive option in 2003 to break it.

Stanley is still 45 per cent owned by the government, 30 per cent by Hogg Robinson of the UK, and 25 per cent by S & J D Roberts, a private company based in the Orkney Islands. The justification for the monopoly, says Robert Rowlands, general manager, is the £4m investment made by tbe company in fuel storage facilities – an investment that otherwise would not have been made.

Cable & Wireless, the telephone monopoly, is building another earth station to increase international capacity. C&W is planning this year to introduce the Internet to the islands, whicb already have the highest per capita fax ownership in the world. It is also studying – with Schlumberger – tbe supply of communications to the oil industry.

International telepbone charges – £1.50 a minute and £1.20 off peak – raise complaints, particularly at the military base, wbere some £2,000 of daily calls are made to the UK. But the market could almost certainly not sustain two suppliers.

Standard Cbartered opened its doors in 1983, taking over the deposits of the old government savings bank. The need for a bank was emphasised by Lord Shackleton in his reports on the islands' economy and Standard Chartered now has some £31m in assets. However, islanders complain that its deposit rates are too low, and that the bank is too cautious witb credit, particularly to business.

The bank limits itself mainly to personal loans, mortgages, overdrafts, and working capital. But if businesses have a request for a loan turned down, there is nowbere else down the street for them to turn.

Management education is firmly on the agenda at Oxford but progress is slow, says **Della Bradshaw**

A very British compromise

Today John Kay will take up his position as the first director of the School of *Management Studies at* Oxford. But his arrival will be with more of a whimper than a bang.

Kay, who hes advised Labour leader Tony Blair on economic issues, has decided to take up his position on just a part-time basis and will not go full-time, he says, until siting and funding issues are resolved. Kay has given the university a deadline of July 1. "This thing has to be done properly or not at all," he says.

The central issue is whether the university community is prepared to commit to the big idea as proposed by Kay and Saudi entrepreneur Wafic Said, who is donating £20m for the building. That is for a city centre business school with sufficient funding for facilities and salaries to enable Oxford to compete internationally with, say, Harvard, Whartoo or Insead.

Today the school is in temporary lodging at Oxford's Radcliffe Infirmary in a refurbisbed suite with study rooms named after local rivers – Evenlode, Isis or Cherwell. But the lease runs out in 1999.

The university is expected to present Said with a final list of prospective sites in the next few weeks. "What's important to him and me is that it's a reasonably prestigious site," says Kay.

Second, and more fundamental, is funding for facilities and salaries. At the moment Oxford academics are paid the same whether they teach classics or management. A top professor earns just £36,000.

London Business School, by comparison, bas an annual faculty bill of more tban £6.4m for its 100 full-time and nine part-time staff.

Kay is looking for a mechanism to be put in place by July 1 to ensure adequate funding for facilities and faculty remuneration. These could be funded through endowments or the premium fees charged for MBA courses.

In the short term the school of management studies has sidestepped the salary issue by playing to its undoubted academic strengths and using faculty from other departments within the university – economics, say, or accounting.

This approach will continue to be the hallmark of management education at Oxford, says Kay. "It will be the most intellectually rigorous business school in Europe," he says. "That's what the Oxford positioning dictates."

Forty-nine students at the management school are already proving the point. This summer they will complete their one-year course and become Oxford's first MBAs.

The 49 MBAs are, by all accounts, an impressive bunch. Their average GMAT score is over 650, says Anthony Hopwood, depnty director (MBA), and they include five Rhodes scholars.

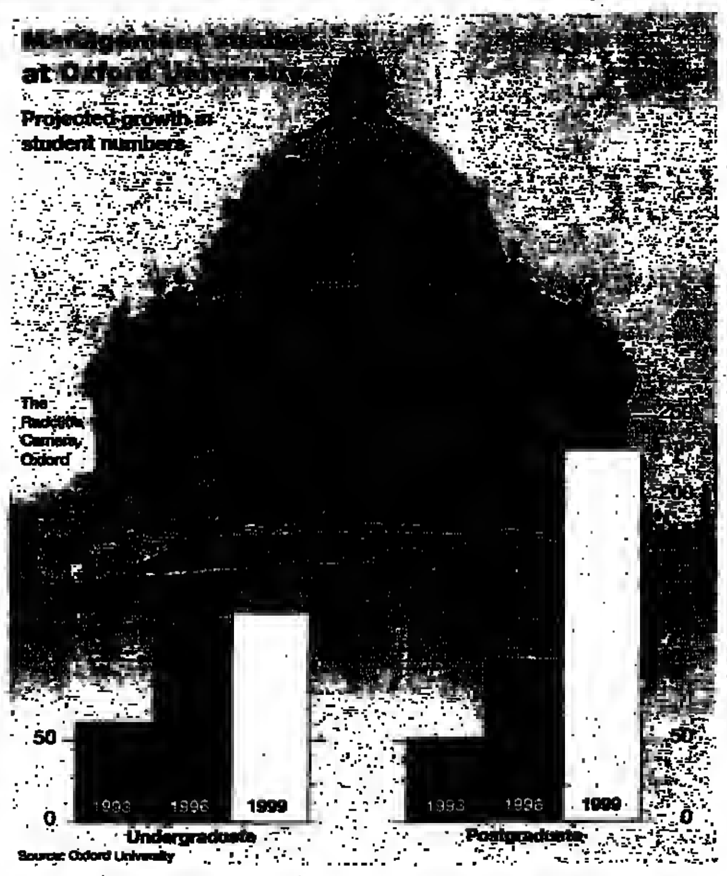
They are also a truly international mix – another part of the Oxford positioning, says Kay. Thirty per cent are from North America; 30 per cent from Europe (including the UK); and 20 per cent from south-east Asia. The average student age is 27, pitching the school in direct competition with top courses in Europe and the US.

Although it is the flagship course, the MBA is just one strand of Oxford's management strategy. Later this year the school will launch a doctoral programme and there are already well-established undergraduate programmes.

"Management is becoming very much part of the Oxford scene and is generally well accepted throughout the university," confirms Colin Mayer, deputy director (academic).

For the next few years the school plans to enrol 70 MBA students but will eventually build to 200 or 300.

In spite of his prevarications Kay says he is more confident now about the school's success than at any time since the controversy about the site blew up last November. "If I didn't think it would happen I would cut my losses now."



NEWS FROM CAMPUS

Satellite office gives Chinese advantage

The business school at the University of Michigan, in Ann Arbor, has opened a permanent satellite office in Hong Kong.

The intention of the school is to increase its executive education portfolio in China and other areas of south-east Asia. In particular it wants to develop closer relationships with companies in the area.

University of Michigan: US, 313 763 9467

Managers rise to the challenge

The Institute of Directors in the UK is now drawing up the list of participants for its IoD Strategic Challenge, a business game for senior managers.

Designed for teams of up to six players, the challenge takes place over 14 days. Each team has to write a business plan and then implement its strategy to achieve growth over a five-year period.

Bookings for the 1997 challenge have to be received by April 4.

IoD: UK, (0)171 730 6060

How to choose the best short courses

With so many short executive courses on the market, the choice of a relevant programme can be a nightmare.

The Economist Intelligence Unit in the UK has now published the 1997 edition of its critical guide to the world's best management development courses to help companies negotiate the maze.

The guide, which costs £145, looks at training companies and consultants as well as business schools.

EIU: UK, (0)171 830 1007

Export qualifications on the syllabus

UK managers in the export business are soon to get their own NVQ – national vocational qualification. In June the British Chamber of Commerce and the Institute of Export, together with express carrier DHL, will launch NVQs at levels 3 and 4, suitable for experienced managers. The course will be available through distance learning.

Chambers of Commerce: UK, (0)171 565 2000

Return to the wild frontier

Wrangler's European challenge to Levi's jeans bucks the campaign trend its rival has set

Jason Maddox and Trey King are used to riding tough animals as they compete on tha rodeo circuit in Arkansas. Now Wrangler's bopes of breaking through to mount a serious challenge to Levi's in the European jeans market are riding on them.

The two rodeo riders are the stars of a television advertising campaign which breaks in the UK today and in Germany next week. "We believe this is an opportunity to break out of tha pack chasing Levi's and becoma a challenger for tha numher one positiou," says David Smith, marketing director for Wrangler in Europe. Wrangler has earmarked £15m for spending ou tha European campaign this year.

Substantial sales are at stake. In the UK market alone, more than 39m pairs of jeans at a value of more than £900m were sold in the 12 months to the middle of last year. Levi's has more tban 20 per cent of the brandad market, while Wrangler has 8-9 per cent. The gap between the two brands is narrower in Germany, wbere eacb has a much smaller share of the market. In Ireland the two are broadly neck and neck.

The new Wrangler ads contrast sharply with the current Levi's campaign, already showing across Europe. Levi's ad, created by Bartle Bogle Hegarty, shows a man falling off a boat in a storm, and then escaping from three mermaids, who try to take his jeans off but fail because they fit too closely.

Tha down-to-earth Wrangler's ads from Abbott Mead Vickers show the rodeo riders in action, and talking about the extensive injuries they hava received. The style is documentary, and tha message is that Wranglers are worn by 99 out of 100 rodeo riders.

"A mistake a lot of brands have made is to forget their western roots and float off into something else. Wa are the authentic western jeans, and we have to take that positioning and make it aspirational and exciting," says Smith.

Wrangler's strategy of moving outside the advertising genre of boy meets girl to chart topping soundtrack, created by Levi's since the mid-1980s, is seen by other advertising agencies as sensihla for a number two brand. "Unless you do something absolutely different, you will be seen as a 'me too' Levi's ad," says one. Levi's advertising is so dominant, however, that creating a significantly different approach is very hard, he adds.

Beyond that general difficulty, there lies a particular issue for Wrangler. The emphasis of its advertising is that real western values are epitomised by tha riders who make their living by risking their lives in the arena.

Yet they are taking that message to young European consumers, wbose view of the west is likely to have been formed by Hollywood and American television. The gritty tone of the campaign may well not be what they expect to associate with the west.

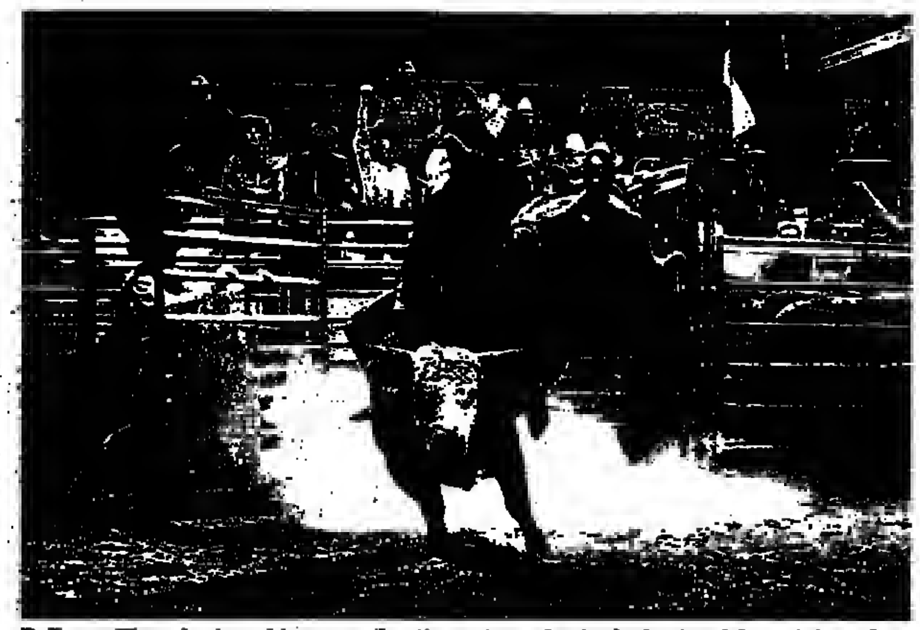
Nigal Marsb, board account director at AMV, sees this as an advantage. "If it is not what they expected, it will stick in the mind."

Tom Blackett, deputy chairman of Interbrand, a brand consultancy, is not convinced about the campaign. "It may appeal to the laddish tendency but I'm not certain it's an anduring image."

Moreover, there is the risk inherent in any ad campaign based on real life that it ceases to be an unvarnished reality as soon as it appears in an advertisement. Wrangler is already talking about personal appearances by the two rodeo riders in the films. But the more the campaign makes them stars, the more it undermines their strength as real-life characters.

Wrangler has a strong start to the campaign, running with a mix of films instead of just one film as is more often tha case. But it is by uo means clear it will have an easy ride.

Alison Smith



Bull run: Wrangler is seeking an authentic western edge in the heat and dust of the rodeo

Ad in the News • Pirelli

A run for your money

Did the new Pirelli commercial cost more than £1m to make? It almost certainly was not less, but that will not worry the tyre giant, which probably thinks it has got a bargain.

This is a stunning piece of film in which Marie-Jo Perec, the French double gold Olympic medallist, outruns some of the most powerful forces in nature. With her extraordinarily graceful sprinting style Perec evades an avalanche, a tidal wave and a river of lava. She runs down the wall of a giant dam and up a sheer desert rock face. Finally, she strokes the sole of her foot and we see it is made of Pirelli rubber.

But this does not do the ad justice. You wonder how it was done – even more so when you learn Perec did not set foot in Alaska, Utah or Wyoming, but was filmed in a disused aircraft hangar in tbe soutb of England. Six weeks and many thousands of pounds later, her image was seamlessly matted into tha various landscapes.

Magnificent as tbe images are, this is still only a 60-second commercial. But Pirelli would argue that the £1m-plus cost of the ad, which will run in up to 40 countries from China to South Africa, is good value.

Imagine the cost of making multiple commercials – for instance, a British, French and German ad, one for southern Europe, one for mainland Asia, one for Africa, and others for Japan and the US. Given that it seems almost impossible to make a 30-second commercial for less than £250,000, you can see how it would add up.

There are certain clues which show this ad is designed to run internationally. There is no dialogue, as that would mean expensive and potentially difficult translation. And the images are universally recognisable – woman against nature. The only potential problem is that Perec's sprinting costume might be too skimpy for certain Islamic countries.

"Power is nothing without control" is the slogan, though that could be a generic claim for tyres. As with the remarkable Dunlop ad a couple of years ago featuring a mad magician, all Pirelli can do is try to establish itself as a "front of mind" brand wben consumers coma to buy tyres.

In that it succeeds. You will not forget this ad.

Stefano Hatfield

The author is editor of Campaign.

Cutting a dash: Marie-Jo Perec in full flight

Tim Jackson

A David against the incorporation Goliaths

If you type "incorporation" into a web search eugina such as Excite, Yahoo! or Lycos, the cbances are the next thing you will see is a banner ad for Business Filings, Inc. The company, whicb has a website at *www.bizfilings.com*, specialises in a dull but essential part of starting up a business – legal incorporation.

Plenty of long-established companies provide incorporation services. The twist is that Business Filings does most of its business over the Internet.

The company was founded in 1995 by Brian Wiegand and Rick Oster, both then 26. Oster, a law school graduate, saw a business opportunity in making the process of compauy incorporatiou easier.

Wiegand, the computer whiz, realised that the Internet would provide an ideal way to get into a business dominated by stodgy old-fashioned companies.

Oster spent time in tha university law library reading up on the incorporation statutes in the 52 states and theu lined up representatives in each one.

Wiegand designed the website, a job that took a couple of months. The startup capital for the business was littla more than $100,000 (£63,000), principally for computers and leased-line access to the Internet.

Business Filings completed its first full year of business in December. The website is simple and easy to use. As well as basic incorporation, it offers a menu of other paid products and services, starting with a "corporation kit" giving budding entrepreneurs all the basic information they need and a corporate seal.

The company will also apply for federal tax ID numbers on its clieuts' behalf (useful for opening US bank accounts) and fill out tha Internal Revenue forms that clients need to claim "S Corporation" status, which has tax benefits for small businesses.

Pricing is interesting. The company charges on average $50 for its work in addition to the filing fees, which vary from state to state. It also offers a "low price guarantee", offering to refund the difference if you can find anyone else who will do the job more cheaply.

In Delaware, the most popular incorporation venue, it incorporates businesses for free, passing on only the state filing fee of $84. The catch is that clients either have to sign up for the company's $99-a-year registered agent service, which fulfils the requirement of having an address in the state of incorporation to which legal documents can be sent, or pay a $50 fee.

For most people starting a business, $100 a year for the registered agent service will probably seem modest, so Business Filings will earn that sum year in, year out for doing no more than forwarding a handful of letters.

So far, Business Filings has made only a modest impact on the incorporation industry. The company says it handled 5,000 incorporations in 1996 – which implies sales of something above $250,000, probably not enough to bring an eight-person operation into profitability.

But Wiegand believes the business has a glittering future in competing with the established competition. "We're Toyota to their General Motors," he says, "taking advantage of new technology and trying to acquire customers in new ways."

The search engines are probably tha company's smartest move to date. By taking out ads with all tha major search services, Wiegand has ensured that the vast majority of people who search for anything beginning with the letters "incorporat" will see his company's ad first. At up to $1 a time, the ads are not cheap, but they giva Business Filings a visibility out of proportion to its size.

Whether it can challenge the giants may dapeud on another market – law firms, which routinely handle many incorporations. The legal profession can deliver repeat business to incorporation specialists, while most incorporations for entrepreneurs cannot promise more than positive word of mouth recommendations.

Wiegand acknowledges that Corporate Agents, an incorporation firm which has been going since 1899, "has tremendous brand equity in tha attorney world". Competing with it, he admits, "will require more than just throwing an ad".

But David still has a chance against Goliath. If Business Filings can do some focused marketing to law firms, it could persuade soma to switch. Oua idea might be to customise software for use on law firms' intranets, allowing lawyers to cut and paste client details without having to retype billing details each time. Another might be to attack the international market and try to grab the business of law firms in London, Tokyo, Zurich and offshore tax havens.

One thing is clear. As with most other web businesses, innovation is all. Wiegand and Oster will have to keep coming up with bright ideas to stay ahead.

The power of the plug

Victoria Griffith on how talk shows spark consumer crazes

For US snack food maker Drake Bakeries, the moment when talk show host Rosie O'Donnell convinced model Cindy Crawford to eat a Ring Ding on the air last autumn was wondrous. A few bites of the cream-centred chocolate cake sent demand for Drake's products surging. At some stores, sales rose 11 per cent over the previous year.

Television and films have always had a big influence ou consumers. Since the 1970s, companies have paid large sums to have tbeir products used as props on the small and big screens. But the past six mouthe have seen a curious development of acute interest to marketing folk: talk show hosts who dedicate large portions of their time slots to specific products simply because they like them.

The impact of popular chat sbows can be stunning. O'Donnell turued a toy called Tickle-Me-Elmo, made by Tyco, into a hlockbuster when she flung it into the audieuce at humorous moments during a broadcast hefore Christmas. Demand for tba toy hit the roof. Shortages were so serious would-be owners offered thousands of dollars for Tickle-Me-Elmos.

For book publishers, the jackpot is having a title selected as Book of tha Month by Oprah Winfrey, wbo enjoys the highest viewer ratings in the US talk show business. In a mova that may do wonders for national literacy rates, Winfray four mouths ago launched a book club series, dedicating an hour-long programme every month to a singla book and an interview with its author.

Winfrey's March choice turned obscure Connecticut author Wally Lamb into an overnight hit. The original print run of Lamb's book, *She's Come Undone*, published by Pocket Books, was only 18,000. Since Winfrey announced in January that it would be featured on the show, another 1.1m have been run off, and more will probably be orderad soon. All four of Oprah's choices have become mega-sellers.

Winfrey and O'Donnell both say they are not interested in paid sponsorship, and will not listen to product pitches. Yet publicists believe it pays to be savvy about the talk show circuit.

Elizabeth Hartman, head of publicity for Pocket Books, sent copies of *She's Come Undone* to all Winfrey's staff a few months ago. The company already knaw Winfrey liked the book, since she has a habit of telephoning writers whose work sha admires. "Wa wanted to jog her memory," says Hartman. "And it probably helped."

Once a product is featured, it is best for marketeers to act immediately, say publicists. "The impact may be huge, bnt it will probably also be brief," says Patricia Kelly, publicity director at Viking, which published Winfrey's first book club choice, *The Deep End of the Ocean* by Jacquelyn Mitchard. "The hard part is knowing just how big a deal it will be and how long you can expect it to last."

Brief chat show mentions, Kelly notes, are probably not enough to spark interest among consumers. The fuss over Drake's Cakes was prompted by O'Donnell's long-term passion for the snacks. When tha show started last autumn, the star ordered that milk and Drake'a products be left on chairs for members of her live audience. She frequently talks about bow tasty the snacks are.

It was not until Winfrey devuted an autire programme to a singla book that it made a big difference to sales.

While the impact of talk show mentions are unpredictable, it makes sense for companies at least to avoid annoying influential stars. Participants in a survey sponsored by Procter & Gamble, which makes Scope mouthwash, elected Rosia O'Donnell the "least kissable TV journalist" earlier this year. O'Donnell has since taken her revenge by mentioning arch rival Listerine on her show as often as possible. P&G's attempts to make peace are reported to have failed.

Cyber sightings

● Sixty years after Amelia Earbeart attempted to fly rouud the world, World Flight 1997 (*www.worldflight.org*) recreates ber historic journey. The excellent graphics on this site let you track the progress of pilot Linda Fincb, follow tbe weather reports, read the pilot's logs and learn a host of aviation facts. This is a nicely put-together site, well worth a visit.

● The Vatican unveiled its new site on Easter Sunday, powered by three host computers named after angels. Every word uttered in public by the Pope will ba available at *www.vatican.va*, which will also inclndes more than 1,200 documents and papal speeches.

In the coming year, the site will be expanded to include a lot of the documents of past papacies, as well as interactiva images of items from the Vatican museums and archives, and soundbites from Vatican Radio.

● Britisb Telecommunications TalkWorks sita (*www.talkworks.co.uk*) offers "infotainment at its best", the company says. It is aimed at dispelling the myth that "techies cannot communicate". The central message, according to BT, is that conversation as a social skill is at risk – a survey quoted by BT shows that 97 per cent of people surveyed "believe making the effort to communicate is the key to happy and healthy relationships".

● Britain's Institute of Electrical Engineering is widely regarded as a centre of axcellence in the engineering field. Now it has put its journals online, with a site (*http://ioj.iee.org.uk*) that includes all peer-reviewed journals from 1994 onwards, and a new title, Software Engineering.

● A good e-zine for US entrepreneurs, The Best Idea in Business, *www.bizfilings.com* This is an informative site for anyone interested in the small business sector. It has a helpful FAQ and good links to other recommended sites.

● If you are interested in music and want to let everyone else know bow good your tastes are, vote for your favourite piece at *www.songofthecentury.com*. Apparently you can vote only once.

steve.mcgookin@ft.com

BUSINESS TRAVEL

Travel News · Roger Bray

Athens improves

Athens airport has made huge efforts to counter its critics, according to an annual survey by the International Air Transport Association. Long-haul passengers voted it the most improved among 54 leading airports.

But the reasons for its great leap forward remain obscure. IATA says no obvious major infrastructure changes have been made, adding: "The explanation is not yet clear but it appears to stem from a general improvement in service."

Second and third in the "most improved" list were Vancouver, which recently opened a new terminal; and Melbourne, which has upgraded its international facilities.

Business travellers voted Singapore's Changi best overall – it was also named best for shopping – with Zurich in second place, then Calgary, Amsterdam and Melbourne.

Watchful eye

Hilton International is to open a hotel as part of Lyons' Cité Internationale complex, designed by Italian architect Renzo Piano to follow the curve of the Rhone on the Quai Charles de Gaulle.

The hotel, which will have 203 rooms and three restaurants, is due to start operating in January 1999. The surrounding development includes a new conference centre, a museum of contemporary art – and the global headquarters of Interpol.

Durban centre

South Africa will catch up in the race to attract convention business when Durban's new £40m centre opens in September. With a main auditorium seating 1,800 delegates and a hall able to accommodate 5,000 people, *it is claimed to be* the largest in southern Africa.

In June, Hilton is due to open a 340-room hotel next to the centre, which is 10 minutes from Durban's international airport.

Lot more flights

Polish airline LOT, earmarked for privatisation, is stepping up services to the UK from today, with the launch of five direct flights a week between Krakow and London Gatwick.

Next month, it will start flying three times a week between Warsaw and Manchester.

Montreal clouds

High farce in Canada. Following a legal move which has prevented airlines shifting international services from Montreal's Mirabel airport to Dorval, Air Canada is giving some flights a domestic code so it can get around the obstruction.

The code change will be made at Halifax, Nova Scotia, on flights to and from Frankfurt.

Plans by the airline to move its London and Paris services have been put on hold. Aéroports de Montréal, the agency which administers the city's airports, is seeking to make Dorval, which is much closer to the city [illegible] to [illegible] and [illegible] plans were [illegible] They [illegible] which [illegible] Monday.

Likely weather in the leading business centres

[illegible]

Amon Cohen urges keen executives to face up to reality and use their time during flights to relax

Don't pack your work ethic

Many a business traveller has clambered aboard a 747 laden with good intentions and enough paperwork to last the entire flight. Strange, then, how the passenger's attention usually lapses by the time the warmed nuts are served.

Some keen young executives seem to do interesting things with their laptops throughout the journey but, assuming they are analysing spreadsheets and not duffing up aliens, are they getting anything useful done?

Most unlikely, says Farrol Kahn, director of the Aviation Health Institute. "The idea of working on board is a bit of a myth," he says. "In the first hour or two of a flight everyone is busy on their laptops, but then they settle down to a soporific state.

"There is 25 per cent less oxygen on board an aircraft than on the ground and the most sensitive organ to lack of oxygen is the brain. Some people are surprised when they look at notes they have written while in the air and compare them with what they would normally achieve on the ground."

If you would still rather work than watch the movie or sleep, prepare tasks that are appropriate for this unnatural environment.

"I advise people to relax or do something creative, such as preparing a speech or dreaming up new ideas," says Kahn. "It is in that state between consciousness and sleeping that we can be at our most inspired."

Given the difficulty of working on board, it is hardly surprising that airline office facilities are relatively rare. Telephones are catching on, but usually for outbound calls only. Fax machines are very rare. Airlines that offer them include Singapore Airlines, at $13.50 (£8.40) per page and Air Canada – which admits that usage is low.

Air Canada has dropped its offer of complimentary use of laptops. But some airlines have introduced power points for laptops in their aircraft seats. Among the innovators are Delta Air Lines and American Airlines.

Kahn believes it is far more sensible to attempt to be productive on the ground, especially if the traveller can gain access to an airline lounge. "This can be an oasis of calm," he says.

"If you are a cardholding frequent flyer, you could even take your secretary along for dictation. The airlines are usually happy to *allow this as long as the secretary* brings a passport and arrangements are made in advance."

One frequent traveller who agrees that airports are more productive than aircraft is Liz Craig, a Paris-based American who is president of The Marketing Department, a small business marketing company. She confines her work on flights to reading, but gets through much more awaiting departure or in transit.

"Before a flight you can pick a corner of the airport to spread out your papers, but on board you can think you are going to get six hours of work done only to find there are noisy children sitting next to you," she says.

"I have now recognised that an aircraft is the wrong environment for work. For the ground, I plan a sequence of tasks, each of which can be done in 20 to 30 minutes and which can be interrupted. It *is a question of organising your* briefcase differently."

> **'In the first hour or two everyone is busy on their laptops, but then they settle down to a soporific state'**

She believes the time at airports is so valuable that she will even try to use departure and transfer airports which offer the most conducive working environments.

In the US St Louis is a better bet than Atlanta, where the distance between gates leaves little time for anything but scrambling for your flight. In Paris Liz Craig prefers Charles de Gaulle to Orly because there is more seating and it is lighter and more airy. As for Athens, she says, forget it.

Whenever possible Craig will use an airline lounge, if only because it offers modem points not usually available in the general public spaces. With a little *chutzpah*, it is even possible get into lounges where one is not a member.

"The best way is to wave a frequent-flyer card for another airline at them and say you are interested in trying their lounge and joining their scheme," she says. "Some won't let you in and others will charge you maybe $20 or $25 – which is worth it if you are stopping over for six hours – but some will let you in for free."

Craig has a tip for ensuring that distractions are kept to a minimum – wear a personal stereo. "*That way you can create your* own background noise, and it will also stop people talking to you."

Apart from modem points, most airline lounges contain telephones, fax machines and photocopiers. Some have space for meeting rooms.

One or two airlines are attempting to become even more high-tech. American Airlines has just introduced high-speed Internet kiosks at its Admirals Club and Executive Center at Chicago O'Hare International Airport. With access charged at 33 cents a minute, users can gather business news, stock reports and weather information. They can also send and retrieve e-mail.

The Internet can be accessed at Air Canada's well-regarded Xerox Business Centres in its lounges at Montreal, Toronto, Edmonton and Vancouver airports. Calgary, Ottawa and Halifax will follow soon.

Some would say that the most productive use of time en route to an overseas business meeting is to get some rest. Singapore Changi Airport, which has evidently seen one too many passengers contorted across three seats and their armrests, has recently expanded its transit hotel in Terminal 1 to 120 bedrooms. A six-hour stay costs between $35 and $40.

Facilities at the hotel, operated by The Oberoi Group, include a gymnasium, sauna, swimming pool, bar, coffee-shop, hairdressing salon, karaoke lounge and facilities for disabled people and children.

And yes, if you really insist, the hotel has a fully equipped business centre.

Room to do the business

Sometimes it's hard to get what you want from a conference hotel. The meeting-room is booked, you all have rooms on different floors and, worst of all, you are tripping over holidaymakers and honeymooners when you are supposed to be working.

But, for those who will swap their tropical resort for the English Lake District, there may be an answer. The brainchild of *Roger McKechnie, the man* behind the Phileas Fogg crispy snacks, the Samling at Dovenest is a 10-bedroom hotel exclusively for groups.

Although set up as an English country house, the Samling, on Lake Windermere, has a meeting room accommodating up to 24, a theatre which holds 90, as well as Internet access, television and video facilities.

Jeremy Williamson, a partner in Charlton Williamson, the Newcastle-upon-Tyne accountants, says that after a partners meeting there, he plans to go back. The setting, however, threw up an unexpected challenge, says Williamson: "The only problem was for a jogger – going along roads without pavements."

Kate Bevan

Summoning Grosz's dreadful cast

William Packer admires the graphic artist in the painter

The renewed interest in European art of the first part of the twentieth century continues with two coincidental exhibitions, one in *London*, the other in Venice, of the work of the German satirical and polemical painter, George Grosz.

Although they cover more or less the same ground, the two shows are more complementary than not. The one in London is more comprehensive, up to the point of Grosz's departure for New York in 1933, one step ahead of the Nazis. That in Venice contains much previously unexhibited graphic material, along with *Wild West*, the extraordinary fantasy upon America that Grosz painted during the first world war, and which sold last year for a record for the artist of £1.43m.

Grosz has long been more familiar to us than any other German artist of his time through his association in our minds with the defeated and decadent Germany of post-war inflation, the Weimar Republic and the rise to power of Hitler and the Nazis. For he it was, more than any other, who fixed its image upon our collective retina. He was not the only artist, nor, good as he was, *necessarily the best* – Schlichter, Dix, Heartfield, Hubbuch, Schad, Beckmann and the rest all had their moments. But he it is who still *summons up for us that* richly dreadful cast of profiteers, prostitutes and corrupt politicians. When we think of the Berlin of Brecht and Weill and Sally Bowles, we think of the Berlin of George Grosz.

But, memorable and fascinating as it all may be, it was all rather a long time ago. That is not to say that the work has lost its *intrinsic* quality, but only that we are less engaged, our interest in the matter of Grosz's polemic now more academic than personal. Even in the 1960s, I can remember its power still actually to shock: I have to say it no longer does. Such is the fate and limitation of work so rooted in *the particular issue* or controversy, no matter how profound or just the cause.

This leaves us with the work, not for the message it carries but for what it is itself. And if the work is good enough, that is no bad thing. It is precisely so now with Grosz. At last we begin to see the wood that we always knew to be there but, distracted by each tree, never really considered whole.

And how good that work is as work, how enthralling the drawing as drawing, the water-colour as water-colour, the paint as paint. At whichever of these two shows you *find yourselves* – and why should it not be both? – Grosz's technical command has never been more clearly demonstrated.

Of special interest, in the drawing and painting alike, are his tricks of composition and manipulation of the image by which, even in the early years of the Great War, he puts the formal devices of Cubism to descriptive and anecdotal use. The freedom they gave him to compile, condense and overlay image upon image, incident after *incident*, while yet retaining a sense of a clear and coherent pictorial space, has carried its example down even to our own day, most clearly of all perhaps in the work of the American painter long resident in England, R.B. Kitaj. Givan Grosz's own long expatriate experience, it is a nice inversion.

Again he was not alone in his opportunism. The dissemination and exploitation of the Cubist lesson in the years after 1910 was as rapid as it was various, from Kandinsky to Mondrian, Chagall to Boccione. With Grosz, it is the pictorial dynamic, the sheer visual energy it gave the work that was to prove an abiding general characteristic. Only the wilfully blind cannot see how lively cubism can be. It is the dark, satirical urbanity in Grosz's use of it, informed by a wonderfully inventive visual wit, that is quite his own.

Grosz was essentially a graphic artist, in that his gift was founded upon his mastery of the drawn line, *whether* with *brush or pen*cil, with its infinitude of subtle emphasis and inflexion. That mastery itself was founded in the long disciplines of the life room and the scrutiny of the model. All this we see; and while we may relish the sheer, fluent expansiveness of the water-colours, the succulent pink flesh of the girl with her pig of a patron and scarlet garter, it is the drawing in the paint that does it. The straightforward portraits after the manner of the New Realism of the 1920s, *Lotte* in her green dress and brown cloche hat, are the careful paintings of the instinctive draughtsman.

Grosz had been invited to teach at the Art Students' League in New York, so his was a fortuitous escape. Helped by a Guggenheim Fellowship, he remained in America, *teaching life drawing*. He became an American citizen in 1938 and in time a figure within New York's art world. He returned to Germany only in 1959, intending to resettle in Berlin. Instead, after barely a week or two, his heart failed him and he died. He was 66.

The Berlin of George Grosz: Royal Academy, Piccadilly W1, until June 8: supported by the German Foreign Office. George Grosz – the Berlin Years: Peggy Guggenheim Collection, Dorsoduro, Venice, until May 18: supported by the group of sponsors, Intrapresae Collezione Guggenheim.

George Grosz's Rogues at the Bar, c1922, indian ink and watercolour

Theatre / Alastair Macaulay

An exceptional King Lear

The barnacles of theatricality, style, and interpretation seem to fall away from *King Lear* in the National Theatre's new staging. I envy anyone for whom this is his or her first *King Lear*. Often, wonderful to say, I felt as it if it were mine.

Two features make this *Lear* exceptional: its location and its protagonist. The director, Richard Eyre, has placed it in the intimate Cottesloe Theatre, so that – whereas we have grown used to having *Lear* oracularly hurled at us across some mighty distance – we here are easily encompassed by its volcanic flow of detail. The grand manner, which can elevate Shakespeare's purple passages but bog down the drama, is wonderfully absent.

Ian Holm's Lear is this production's ideal centrepiece. He can growl: "Who am I?" quietly, like a lion. He addresses the elements ("Let fall/ Your horrible pleasure") as if the lightning and thunder were passing through him like grim shocks that he craved. To talk of Holm's conception or characterisation of Lear is almost to miss the point. Indeed, he seems to miss his own point in two physical respects: the short-stepping old-man plod and the gumless chewing motion he occasionally deploys are the kind of characterising effects that here seem superficial, inorganic. No, the marvel of his performance is the way it lives in the line – the way it makes you feel anew the surprising developments of Shakespeare's thought in every word, and yet makes these sound spontaneous, new-minted.

Ian Holm as Lear and Amanda Redman as Regan

Suddenly, amid the storm and the onset of madness, he contemplates Poor Tom, and asks: "Is man no more than this? Consider him well," with a flash of Hamlet-like philosophical inquiry out of nowhere. I have never been so aware of how quickly Lear's mind shuttles between intemperate explosiveness and the quest for patience; or, later, of how seamlessly it shuttles between sanity and madness.

This is much the finest Shakespeare that Eyre, during his time at the National, has given us: Bob Crowley, designing, provides a few scenic *coups de théâtre* as when the set's two tall walls fall smack on the floor between them as the storm commences - and the best thunder and lightning for years; but, in general, the visual simplicity is very gratifying. Likewise, the acting attends relatively little to surface characterisation and keenly to interplay and utterance.

The anguished compassion of Paul Rhys's Edgar is already excellent; he will be twice as good when he relaxes his face more and interprets his lines less. Finbar (formerly Barry) Lynch is (though a little under-inflected at first) an attractively dangerous Edmund. As their father, Gloucester, Timothy West has a rational naturalness that gives new impact to tiny lines such as: "Here's France and Burgundy, my noble Lord" but underdoes the torment of mind he undergoes after blinding. Michael Bryant, a classic Gloucester eleven years ago, now brings beautiful tenderness and fun to the role of the Fool.

Anne-Marie Duff, in a performance not fully resolved, shows both Cordelia's devotion and her steel. Amanda Redman brings immense glamour and edge to Regan. Best support is Barbara Flynn as Goneril, uttering the lines with a superbly changing amalgam of wit, scorn, impulsiveness, bitterness, desire, and dismay. Just to watch her listening (her chin suddenly quivering as Lear says "We'll no more meet") is, moment by moment, gripping.

This production does not impose itself upon the play. Instead, it reveals, with a transparency very rare in Shakespeare today, the play's complexities, its themes and its chameleon changeability.

What price honesty? Are we he playthings of fate and/or the *stars and/or the gods? How* to test true from false, even in people we think we know? How keep patience? How see truly until too late? What price enlightenment? These motifs keep returning, here with brilliant immediacy.

In National Theatre repertory at the Cottesloe Theatre, South Bank, SE1.

Helsinki Biennale

East meets west up north

In late winter, many a European capital finds time *to celebrate new music, in* "biennales" and such, usually with a healthy, natural bias toward its own composers. But also – in these cosmopolitan times, when promising composers get invited everywhere – taking due account of what goes on beyond its borders. The renowned Helsinki Biennale has been doing that since 1981. I caught the last two days of this year's festival, and wished I had heard more.

All the Scandinavian countries are "musical powerhouses" nowadays, in terms of intensive musical education at every state school, good conservatories, and exports of opera-singers trained to the hilt. That ensures a cultivated public. With only 5m citizens, Finland boasts an extraordinary number of symphony orchestras, professional or semi-pro, 14 of which are currently supporting a resident composer.

What has recently marked Finland out as *the* Scandinavian powerhouse, however, is a happy chance: the international recognition of two younger Finnish composers, Magnus Lindberg and Kaija Saariaho, as world-class original talents, and of Esa-Pekka Salonen and Jukka-Pekka Saraste – closely associated with them – as brilliantly versatile conductors in all the kinds of music which draw keen-eared audiences. Not to mention young Sakari Oramo, who is to replace Simon Rattle at the City of Birmingham Symphony next year.

Though Oramo has just begun to attract international notice, his alert, easy command in two concerts here displayed a maturity beyond his 32 years. Birmingham seems to have struck lucky. I heard him conduct the Finnish Radio Symphony in a televised children's concert. The main offering was *Mio, poikani Mio*, a long dramatic tale for big orchestra and hyperactive narrator (Susanna Haavisto: imagine Giulietta Masina on speed), with a thoroughly professional score by Timo Hietala. Oramo brought it off with good humour and perfect aplomb.

In the Biennale proper, he conducted Pehr Henrik Nordgren's Symphony No. 3, the American Christopher Rouse's *Iscariot* and the premiere of Jouni Kaipainen's piano concerto – a programme that must have suited the eclectic tastes of this year's Biennale director, Eero Hämeenniemi. Nordgren's symphony was all earnest Nordic gloom, with few *traces of the modernism* he once espoused; Rouse's *Iscariot* (which must have a hidden scenario, though we were not told) is very much school-of-John-Adams, in which anything goes, from devout string chorales to wild percussion blasts. Kaipainen, unlike his close colleague *Lindberg*, seems also to be beating a retreat from modernism. His irresistibly jaunty concerto took Prokofiev as its undisguised model – jokey *tunes, splinters, percussive* pianism (which Juhani Lagerspetz addressed with a will). Perhaps Oramo will try it on Birmingham; it is a clever piece, more substantial than its bright surface might suggest.

A theme that Hämeenniemi pushed this year was crossover east-west music, but his own new *Layapriya* did not take it far – just a pleasant post-romantic orchestral sketch with interludes for four expert Indian percussionists, scarcely integrated. It was enterprising of him, though, to have dug up some forgotten John Foulds (1880-1939, British, greatly taken by Indian music): we actually had the premiere of "Three Mantras", which are all that remains of his grand opera project *Avatara*. Foulds' worthy intentions took square-cut forms, musically more naive than the real thing.

Much more exciting was another rediscovery, Colin McPhee's pioneering *Tabuh Tabuhan* from 1936 – often cited in textbooks, almost never played. McPhee was devoted to Balinese gamelan music, and this "toccata for orchestra and two pianos" adapts Balinese rhythmic *patterns to* a *Broadway-flavoured* band: exuberant "minimalism" from the very year in which Steve Reich was born, and great fun.

David Murray

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-6718345
● Nederlands Kamerkoor: with conductor Daniel Reuss and pianists Wyneke Jordans and Leo van Doeselaar perform works by Brahms; Apr 4

■ ANTWERP

OPERA
De Vlaamse Opera
Tel: 32-3-2336808
● *Tannhäuser*: by Wagner. Conducted by Stefan Soltesz, performed by the Vlaamse Opera. Soloists include Gary Lakes, Nina Stemme, Yvonne Naef and Jorma *Hynninen*; Apr 5

■ BERLIN

DANCE
***Deutsche* Oper Berlin**
Tel: 49-30-3438401
● Ballett der Deutschen Oper Berlin: perform Oleg Vinogradov's (after Petipa) "Paquita" to music by Minkus, Kenneth MacMillan's "Concerto" to music by Shostakovich and John Cranko's "Onegin" to music by Tchaikovsky and Stolze; Apr 5

■ COPENHAGEN

CONCERT
Det Kongelige Teater - The Royal Theatre
Tel: 45-33 69 69 69
● Royal Danish Chamber Orchestra: with conductor Josef Suk and violinist Lars Bjornkjfr perform works by Suk, Mozart and Dvorák; Apr 6

■ GRENOBLE

DANCE
Le Cargo Tel: 33-76 25 05 45
● Lyon Opéra Ballet: perform "Love Defined" to music by Johnson, choreographed by Bill T. Jones, "Stamping Ground" to muisc by Chavez, choreographed by Jiri Kylian and "Second Detail" to music by Willems, choreographed by William Forsythe; Apr 3, 4

■ LONDON

AUCTION
Bonhams Tel: 44-171-3933900
● Modern British Pictures: sale including a number of works by Sir Alfred *Munnings, including* "Stable Boy on a Horse at Newmarket" and "The Artist's Wife on a Grey". There are also works by Philip Wilson Steer, *Laurence Stephen* Lowry and William Hoggart; Apr 3

CONCERT
Royal Festival Hall
Tel: 44-171-9604242
● *BBC Philharmonic Orchestra*: with conductor Yan Pascal Tortelier and the London Symphony Chorus perform works by Stravinsky; Apr 6
● *Olga Dudnik: the pianist* performs works *by* Beethoven, Haydn, Liszt, Scriabin and Rachmaninov; Apr 6

EXHIBITION
Royal Academy of Arts
Tel: 44-171-4397438
● Braque: The Late Works: the first British exhibition to focus on the last 20m years of the career *of* Georges Braque, one of the founders of Cubism. On display are 50 paintings covering all of the great cycles of work from his later years, including the "*Interiors*", "*Billiard Tables*", "Studios" and "Birds"; to Apr 6

■ MADRID

MUSIC PERFORMANCE
Fundación Juan March
Tel: 34-1-4354240
● Miguel Angel Colmenero: performance by the trumpet player accompanied by *pianist* Sabel de Fátima Hernández. The programme includes works by Cherubini, Chopin, Beethoven, Mozart and Saint-Saëns; Apr 5

■ MILAN

THEATRE
Teatro Lirico Tel: 39-2-723 331
● La Villeggiatura: by Goldoni. Directed by Massimo Castri, performed by the Teatro Stabile dell'Umbria and Teatro Metastasio di Prato. The cast includes Sonia Bergamasco, Milutin Dapcevic, *Pietro Faiella and others*; from Apr 2 to Apr 10

■ MUNICH

OPERA
Cuvilliés-Theater – Altes Residenztheater
Tel: 49-89-296836
● Parsifal: by Wagner. Conducted by Peter Schneider, and performed by the Bayerische Staatsoper. Soloists include Marilyn Schmiege, Carolina Maria, Petrig and Jennifer Trost; Apr 4

■ NEW YORK

CONCERT
Carnegie Hall
Tel: 1-212-247-7800
● *Murray Parahia: the pianist* performs works by Chopin and Handel; Apr 5

EXHIBITION
***The Metropolitan Museum of* Art** Tel: 1-212-879-5500
● Some Women: an exhibition of portrait busts of eight women, in bronze and marble, by artists *including Rodin, Lehmbruck*, Brancusi and Giacometti; to Apr 6

■ PARIS

CONCERT
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Frank Peter Zimmermann and Louis Lortie: the violinist and pianist perform works by *Brahms*, Webern and Schumann; Apr 6

OPERA
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● Carmen: *by Bizet*. Conducted by Gary Bertini, performed by the Orchestre et Choeurs de l'Opéra National de Paris. Soloists include Franck *Ferrari*, LeRoy Villanueva, Sergei Larin, Gino Quilico and Franck Leguérinel; Apr 4

■ ROME

EXHIBITION
Palazzo delle Esposizioni
Tel: 39-6-4742216
● Gran Tour: for many centuries Italy has enjoyed a reputation as home of some of the finest art and architecture. In the 18th century especially it became the destination for artists and writers, royalty and nobility, all of whom travelled there to absorb the *atmosphere of antique ruins and* seek inspiration from Renaissance paintings. This exhibition examines their journey and shows paintings, sculpture, drawings and *prints from a range of* international collections. The survey includes works by Batoni, Canaletto, Piranesi, Reynolds and Zoffany; to Apr 7

■ STOCKHOLM

CONCERT
Stockholms Konserthuset
Tel: 46-8-7860200
● Vladimir Ashkenazy: the pianist performs works by Mozart and Chopin; Apr 6

■ STRASBOURG

MUSIC PERFORMANCE
Palais de la Musique et des Congrès Tel: 33-388 37 67 67
● Wiener Symphoniker: with conductor Georges Pretre perform works by Brahms; Apr 4

■ THESSALONIKI

EXHIBITION
Thessaloniki Cultural Capital '97
Tel: 30-31-867860-6
● Albin Brunovski: exhibition of work by the Brataslavian-born engraver, consisting *of* pieces from all stages of his career. The exhibition, the artist's first retrospective in Greece, takes place at the National Bank of Greece Cultural Centre; from Apr 4 to Apr 26

■ WASHINGTON

EXHIBITION
National Gallery of Art
Tel: 1-202-7374215
● Splendors *of* Imperial China: Treasures from the National Palace Museum, Taipei: *display* featuring some 100 paintings and calligraphic works, as well as more than 200 jades, bronzes, ceramics and other decorative arts. There are *many* T'ang, Sung and Yüan masterpieces and examples of imperial ceramic ware from the Sung through to the Ch'ing periods; to Apr 6

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Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Freedom balanced by scrutiny

Gavyn Davies proposes a framework of accountability for a more independent Bank of England

Reform of the Bank of England is on the political agenda. Mr Gordon Brown, the shadow chancellor, has proposed the introduction of a monetary council at the Bank, to depersonalise its decision-making and prepare it for greater independence.

More profoundly, the Bank would achieve total independence – and an equal degree of impotence in setting UK monetary policy – if Britain joined the EU's economic and monetary union (Emu).

In this article, I would like to make proposals on how the UK's monetary arrangements should be changed to serve the public better. I shall assume for this purpose that the UK will remain outside the single currency for a *considerable period*, since many of the issues discussed here do not arise Britain joins in the first wave. But the uncertain prospect of Emu membership cannot handicap the search for better institutions in the present environment.

There should be two main objectives in introducing reforms. The first is to ensure they are consistent with what economists have learned in the past decade about the relationship between central banking and the economy.

The second – not always compatible with the first – is to design a system that is explicitly embedded in the UK's democratic framework. It is not acceptable in a democracy to delegate profound powers to unelected officials without confronting the thorny issues of accountability and openness.

If the Bank is to be given wider powers, it must be seen to exercise them in the national interest. In particular, it must transform itself into a central bank for the entire nation, and no longer be suspected of being a representative of the sectional interests of the City. I bave sometimes wondered whether it should change its name to the Bank of the Uulted Kingdom, just to emphasise this.

The question of central bank independence has recently been confronted in many countries, yet there is no single blueprint that can be slavisbly copied by a "Bank UK".

The Bundesbank's record of monetary stability is envied by many, but its isolation from the political process would be unacceptable – and unwise – in the UK's democratic system.

The US Federal Reserve bas been among the most successful of central banks in the past decade, but the twin objectives set for it by Congress – maximnm employment and stable prices – leave too much room for interpretation by unelected officials.

The Bank of Japan, although becoming more independent, is still far too mncb the creature of the Ministry of Finance to be an ideal model.

Tha Reserve Bank of New Zealand is an attractive blueprint and is the basis for part of what follows. But its reform is much too recent to be sure it will succeed and it relies too much on the competence and personality of the governor.

So wbere to begin? First, recent researcb strongly indicates that central banks which are more independent from the political process are associated with lower inflation rates over long periods.

More important, the reduction in inflation associated with independent central banks is not won at the expense of either reduced rates of output growth or higher unemployment. Nor does it seem to involve greater variability in output – rather the reverse.

Economists are not supposed to believe in frea lunches, yet here they seem to have identified one. And although there have been suggestions that these favourable correlations are due to a bidden third factor – such as the structure of the labour market or the stability of the political system – the basic conclusion seems reasonably robust.

How can this ba explained? It is consistent with a basic tenet of tha dominant wing of macro-economics, which holds that monetary policy is "neutral" in the long run – that inflation is ultimately not linked to growth or unemployment.

If an independent central bank is on average more inflation-averse than an elected politician, we would expect to see lower inflation, without any average loss to output, in systems where central bankers are given freer rein. This is broadly what we do see.

It might seem, therefore, that the problem is solved: simply tell the bankers to achieve stable prices and let them get on with it. That, after all, is what happens in Germany and it is more or less what will happen in the European monetary union.

But there is a complication. While the long-run level of output probably should not be the concern of monetary policy, smoothing the variations in output around that long-term trend probably should be.

When macro-economists talk of the objectives of demand management thay routinely include both the stability of prices and the variability of output or employment as target variables. This approach recognises there is a short-run role, lasting perhaps two to five years, for monetary policy to affect real variables.

If we were designing a control system to work in engineering, we would probably tell the central bank something like this: please minimise the sum of squared deviations from the inflation target and the long-run GDP growth target, with weights of 50 per cent being assigned to both objectives.

But we cannot afford such jargon when designing a system to function in a democracy. Something much simpler is required.

Since 1992 the UK system has ignored this problem by setting an inflation target in splendid isolation, initially involving a band of 1 per cent to 4 per cent, and now simply requiring prices to rise at "2.5 per cent or less" for an indefinite period.

This has had the great advantage of simplicity, which has increased the credibility of monetary policy. Since monetary credibility has never been the UK's strong point, this was crucial. But even in this period, inflation has not been the sole concern of policy-makers, especially the present chancellor.

What Mr Kenneth Clarke has done is give some weight to inflation and some to the variability of ontput or employment – exactly as suggested above. The upshot is that the official target has not captured the true behaviour of the policymakers.

I would argue that this will eventually harm policy transparency, and that such confusion must stop. Any durabla aystem should set targets which accurately describe the actual objectives of tha government.

The problem is not particularly acute when demand shocks hit the system – an unexpected shift in demand will move output and prices in the same direction. A policy to stabilise prices does not conflict with a policy to stabilise output.

Bnt when there is a supply shock – say a rise in oil prices – the opposite applies. Prices rise while ontpnt falls, ao the authorities are forced to choose which variable to stabilise. An immediate return to an unbending inflation target could lead to an unacceptable fall in ontput. Among other problems, that could cause the public to reject the policy regime. More flexibility is required.

One way of dealing with this is to leave the central bank to decide how to juggle the twin objectives – as happens in the US. But this would not be democratically acceptable in the UK - and nor should it be.

Sir Samuel Brittan has been in the vanguard of those favouring a nominal GDP objective, which automatically gives as much weight to real GDP as to price inflation. Unfortnnately, there are practical difficulties, as well as a lack of public understanding of what this varisble means. The preference of foreign central banks is universally in favour of price objectives over nominal GDP.

I would therefore suggest the following approach. First, parliament should give the central bank operational independence in setting base rates, the crucial policy variable in the monetary system. This should be done by the seven-person monetary policy committee of the Bank of England, constituted to inclnde outside experts as Labour's Mr Brown has auggested.

The minutes of the committee should be publisbed on the same timetable as those of the present meetings between the governor and tha chancellor, and individual votes should be publicly registered.

On occasions the chancellor or other Treasury officials might attend these meetings, as they do in Germany – but they would have no vote. Their contributions to the discussions would, however, be minuted.

Second, the government would give the monetary policy committee a permanent long-term objective of achieving stabla prices, defined as inflation at 2.5 per cent or less on everage. The presumption would be that if inflation exceeded this rate temporarily it would run below the target in future, implying that in the long run prices would rise by less than 2.5 per cent a year.

Third, the chancellor could set in the Budget shorter-term target ranges for inflation that might deviate from the 2.5 per cent long-term objective. If oil prices rose sharply, for exampla, the chancellor might specify an inflation rate target of 3 per cent to 5 per cent in the first year, 2 per cent to 4 per cent in the second year, and 2.5 per cent or less thereafter.

Tha government could decide whether, and at what speed, to accommodate supply shocks. But there would be a presumption that inflation would always return to a maximum of 2.5 per cent by the third year. If the government wished to alter the mix between fiscal and monetary policy to achieve a particular exchange rate objective, it could do so under this arrangement.

The advantage of this procedure would be that the elected government would remain responsible for juggling inflation and growth objectives in the face of economic surprises, and would be accountable for doing so to parliament and ultimately to the electorate.

If it chose to use this power to increaaa tha short-term inflation target ahead of an election, the transparency of the system would mean the electorate could very easily see what was going on – unlike under the present regime.

Meanwhila, tha Bank's monetary policy committee would be held accountable by the chancellor and parliament for discharging the narrow but crucial responsibility of hitting the inflation targets ovar the periods specified in each Budget.

That would be all. There would be no question of asking the Bank why it was allowing unemployment to rise in order to hit the inflation target – this would be among matters to be addressed to the Treasury.

Bank officials would be required to give evidence to the Commons Treasury committee each quarter and the committee would rsport to the chancellor on the performance of the monetary policy committee. If the Treasury committee decided the monetary policy committee was not discharging its duties competently, it could recommend changes in personnel to the chancellor – who could, if desired, terminate the governor's contract.

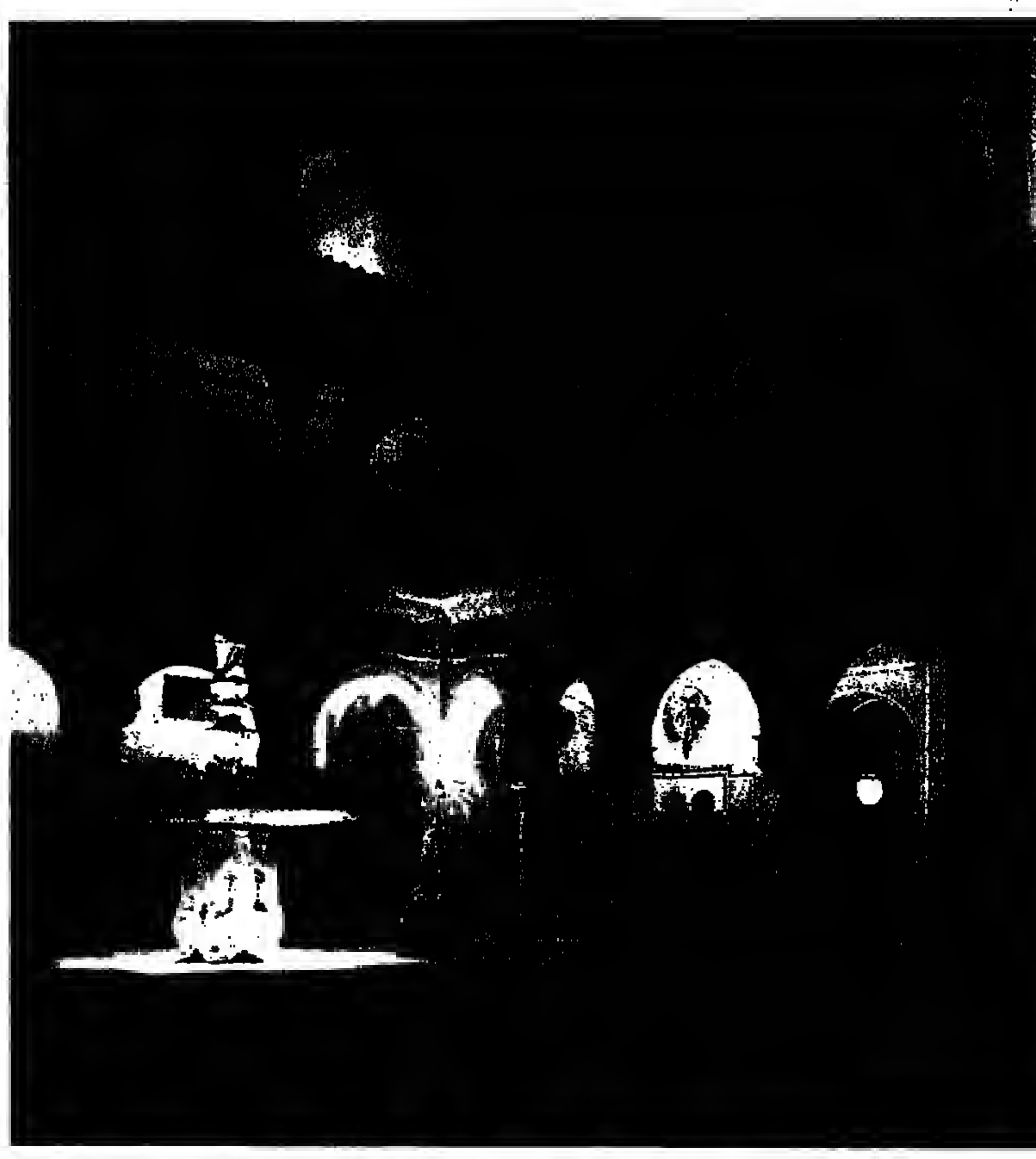
Otherwise, the decisions of the monetary policy committee – taken within the straitjacket of its clearly dafined inflation objectives – could not be over-ridden.

This system, which is a close cousin to tha one whicb has worked well in New Zealand, would offer constrained operational independence for the Bank, within a far more transparent framework for overall macro-economic management even than the basically good system which the present government has devised.

It would not only enhance Britain's chances of achieving macro-economic stability, but would also enrich the UK'a democracy.

And, unlike other suggestions for Bank independence, it would avoid placing the governor on an undemocratic pedestal – which would enjoy little legitimacy at Westminster and from which he or she would be swiftly removed as soon as the going got really rough.

The author is chief international economist at Goldman Sachs



LETTERS TO THE EDITOR

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Real benefits for Europe if euro becomes a reserve currency

From Mr Avinash Persaud.

Sir, Robert Chote's "Euro may unseat the dollar" (March 24) and "How the euro may fit in with the Fund" (March 25) have provided a wake up call to those too bogged down in the will-it-won't-it-happen debate to consider the impact the euro would have on the international economic order. But he gives us a gentle prod, not the appropriate smack in the face.

If the dollar were forced to share its reserve currency status with the euro it would have a more far reaching impact than pushing the dollar lower and the euro higher.

The US risks losing substantial benefits if the dollar loses its hegemony in financial markets. In 1996, for instance, world central banks bought an estimated \$150bn of official US assets as part of the effort to support the world's numeraire currency. That is equivalent to 26 per cent of the gross new issuance of US government debt.

Without that official take-up of US debt, Treasury yields would have risen further, damping economic activity and the equity market's exuberance. The growing use of the euro as a reserve currency would deliver Europe symmetrical benefits: lower interest rates and a currency others have an interest in defending.

The putative European Central Bank and the US Treasury would be well placed to manage the dollar's loss of status. At times, G7 meetings have resembled Snow White having tea with six anxious dwarfs, but in the future, co-ordination between the US and Europe would be on a more equal footing with a greater equality of interests and concerns. That is the real politick behind Europe's drive for the euro.

Avinash Persaud,
head of currency research,
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London EC4Y 0JP, UK

Objective is an equitable market

From Mr Andrew Claxton.

Sir, Simon Holberton's article, "New generation struggle" (March 25), questions the basis of the Electricity Pool's decision to reject the Load Management Agency, a proposal put forward by large customers to promote demand side participation in the electricity market. The Electricity Pool rejected the Load Management Agency on the grounds that the proposal only advantaged large industrial customers at the likely expense of smaller customers, particularly in the domestic market.

This decision was fully supported by the director general of electricity supply. I must point out that pool members are continuing to enhance existing demand side arrangements, and customers are involved in this process.

The Electricity Pool exists to provide an efficient and equitable trading arrangement in the interests of the whole market. The arrangements are always under review, and the pool is currently undertaking the biggest programme of change in its history. It involves extensive consultation with customers and it will build on the pool's record of success.

Andrew Claxton,
chief executive,
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Russian 'reform' helps only the few

From Mr Edward S. Herman.

Sir, Your use of "reform" in reporting on Russia (for example, "Russian reformers in control", March 18) would have delighted George Orwell. In conformity with western business and neo-liberal ideology, you have made "reform" synonymous with unconstrained privatisation and deregulation, irrespective of suitability of conditions, distribution of benefits and losses, and social costs. In addition to stripping the word of its traditional social and moral content, you have even ignored its relation to democratic substance.

Russian "reform" is serving a tiny Russian elite and western interests while immiserating a large majority. The benefits to the latter are strictly hypothetical and at best long run. Meanwhile, they have no political options as all who would protect them are powerless, or are discredited as communists or "hardliners", and the forces pressing "reform" have overwhelming internal and western support from people with power.

Anatoly Chubais, the symbol of reform, ran for electoral office several years ago as representative of the Yeltsin-reform group, and was embarrassed by receiving less than 10 per cent of the vote. Yeltsin himself, just before the recent election campaign, had a poll approval rating of 8 per cent. In response, he fired Chubais, and ran against "communism" and his own record! With western help, the massive and *illegal* use of state funds, and complete domination of the media, he defeated communism and the "reformer" Yeltsin. Immediately after his victory, be brought Chubais back with a major policy role to press forward with "reform".

The reform that follows is based on a political fraud that serves the few at the expense of a still unrepresented populace.

Edward S. Herman,
28 Fairview Road,
Penn Valley,
Penna., US

Elections are about looking to the future, not the past

From Mr Jan Henning.

Sir, Michael Prowse thinks that Britain is today a much better place than when the Conservatives came to power in the 1970s and fails to understand why this does not translate into positive voter sentiment for the current government ("Back home in a better Britain", March 15/16).

Having never lived in Britain, I cannot comment on the state of the country, but even if the significant improvements Mr Prowse detects are assumed to be real, the bad outlook for the Conservatives in the upcoming elections is easily explained. Contrary to what Mr Prowse seems to assume, elections are not supposed to be a reward for past performance, even if they in reality often are. The real purpose of elections is to select a government that is best able to cope with the challenges of the future.

Thus, even if voters recognise the past achievements of Conservative rule, they may simply assume thet the party has now lost the capacity to improve the country and the lot of its citizens.

In the end, elections are just another market mechanism. And in a market, those companies have the advantage that offer the best products today, not those that had the better products yesterday.

Jan Henning,
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COMMENT & ANALYSIS

FINANCIAL TIMES

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Tuesday April 1 1997

A false move in India

The decision by Mr Sitaram Kesri, the veteran leader of India's once all-powerful Congress party, to withdraw his support from the country's ruling coalition, is extraordinary. It comes at a moment when the 13-party United Front minority government, a fragile mixture of leftwing groups and regional parties, seems to have forged a coherent strategy both on domestic and foreign policy. That could all be in jeopardy if Mr H. D. Deve Gowda, the prime minister, fails to win a vote of confidence in parliament.

No wonder the Bombay stock exchange tumbled yesterday. Business reaction to the bold tax-cutting budget introduced by Mr P. Chidambaram, the finance minister, a month ago had been overwhelmingly positive. The government's commitment to continuing the essential process of economic liberalisation was no longer in doubt.

On the foreign policy front, there has been a welcome improvement in relations with India's neighbours. Long overdue deals have been struck with both Bangladesh and Nepal. This very weekend, India and Pakistan have held their first high-level talks for three years, described as "frank, cordial and constructive". There has been serious talk in Islamabad of cuts in defence, because of the new climate between the two traditional rivals. But that would be called into question by political uncertainty in India.

Against that background, Mr Kesri's move appears baffling, and his motives dubious. He charges the government with economic drift, allowing rising inflation, and the threat of a "growing communal menace", as well as the collapse of law and order. Few would agree that his charges are justified.

The Congress party was mauled in the last elections, largely because of the popular perception that it was riddled with corruption. But it has supported Mr Gowda's government from the opposition benches because both are united by their hostility to the Hindu-nationalist Bharatiya Janata party, now the largest parliamentary party.

If the latest political upheaval results in new elections, the polls suggest that the BJP will gain, and Congress will lose – encouraging the "communal menace" Mr Kesri says he fears. His party would be well advised to keep the present coalition, or something very like it, in power, even if that means both Mr Gowda and Mr Kesri must step aside.

Party economics

The most striking aspect of the two main UK political parties' economic policies is the way they are both struggling with the same uncomfortable straitjacket. Labour, as much as the Conservatives, has ruled out large increases in personal taxation, high borrowing or rising public expenditure. It claims to be as strongly committed to stable prices. It might move further than the Tories towards allowing the Bank of England to determine what interest rates are needed to control inflation. Whatever is said on the bustings, both have abandoned the nostrums of the 1970s for ramping up growth with easy money.

But despite these constraints, the economic courses set by the two main parties would be different. It is difficult to be sure *how* different, since Labour's pronouncements on many policies have, to say the least, lacked detail.

However, the Conservatives can be expected to continue their programme of opening the economy to market forces: by deregulation, privatisation, freeing up the labour market and by bringing market disciplines into the public sector. More could be done. But after 18 years, returns are diminishing; and such measures become less popular as they are seen by voters to contribute to job insecurity and a widening gap between rich and poor.

Labour has indicated that it will not reverse most of the Tories' reforms. But it is unlikely to extend them. Its rhetoric of partnership and stakeholding suggests that it will seek to shift the balance of advantage from shareholders to consumers and employees.

Much will depend on what it means by this. A touch on the helm to rebalance the regulation of utilities or to strengthen competition policy, for example, could vindicate Labour's claim to offer a fresh approach.

But it is also possible that the cautious rhetoric of its campaign conceals an old urge to meddle with the markets and to shift power back to a corporatist state. On balance, this does not seem a serious danger, provided that Mr Tony Blair, the leader, and Mr Gordon Brown, the shadow chancellor, retain their grip on the party. Even so, the proposals for a windfall tax on utilities, for a minimum wage and compulsory recognition of trade unions would all be moves in the wrong direction.

This would not matter much if the party showed the courage in office to do what it knows is necessary for the wider economy: to pull the government deficit back towards balance and to raise interest rates if that were also required to curb inflation. An immediate fiscal tightening of £5bn or more may be needed. And since the Tories' public spending targets – endorsed by Labour – are unrealistically tight, that must mean tax increases.

A new Labour government might be keen to demonstrate prudence to the markets. But it might be less able than the Tories to resist the facile argument that industry can bear the burden without cost to the people.

With a month to go before polling day, there is still time to watch their lips.

■ *This is the first of a series of leading articles on the issues for the UK election on May 1.*

Dumping folly

Few problems are made better by shooting oneself in the foot. Yet that is the curious remedy which the European Commission has prescribed in response to complaints that developing country exporters are harming European competitors by "dumping" grey cotton, a basic commodity widely used in textiles and clothing production.

In November, the commission imposed provisional dumping duties of up to 36 per cent on grey cotton imports from six countries, including China and India. The move followed persistent lobbying by European producers, whose market share has dwindled to barely a quarter of total EU sales.

EU members are due to decide by Thursday whether to make the duties permanent. They should refuse. The commission's method of calculating dumping margins, which has always been questionable, appears particularly so in this case. Its claim that dumping has cost European producers market share also looks dubious, since EU sales by exporters in the six countries have stagnated.

Furthermore, permanent duties would not solve the European producers' difficulties, only spread them more widely. Instead of exporting raw grey cotton, their foreign competitors would have a big incentive to turn it into finished cloth, on which EU duties are lower. Europe's grey cotton makers would not benefit, but pressure on other parts of its textiles industry would increase.

If this incident has any redeeming virtue, it is that it strengthens the case for reform of EU dumping policy. Sir Leon Brittan, trade commissioner, has sensibly proposed that future dumping investigations include a "community interest" test. This would require consultation of a much wider range of interested parties, analysis of market competition and an assessment of the costs and benefits of dumping duties.

A more balanced approach is long overdue. Current dumping policy is too easily captured by producer lobbies, at the expense of wider economic interests. Its abuse also encourages target countries to adopt their own dumping laws, as many are doing. That trend exposes European companies to the threat of retaliation and risks undermining the multilateral rules-based system. EU members have everything to lose from such an outcome. To prevent it, they need to exercise restraint over their dumping regime. Dumping the grey cotton case would be a good way to start.

Fears of collateral damage

Recently back from Japan, **John Plender** analyses the pressures on the country's banking system ahead of Big Bang deregulation

For the Japanese economy the start to the new fiscal year today marks a period of unusually high risk. Not only is growth likely to be substantially below its underlying potential of 2¼ per cent to 3 per cent in the coming year. A full-scale banking crisis cannot be ruled out. Since Japan is still the world's biggest creditor country, any financial upheaval in Tokyo is bound to cause some backwash across the globe.

At first sight this may seem paradoxical, given that Japan was the fastest growing country in the Group of Seven leading industrial economies last year. Still more so, in the light of the recent weakening of the yen, which has provided the economy with an apparent escape route from the liquidity trap in which big companies have not wanted to borrow and small ones cannot find banks to lend to them.

Yet exports, though more competitive since the yen's decline against the dollar from a peak of Y80 in 1995 to around Y124 today, are a relatively small part of an economy which is driven primarily by domestic forces. The boost to the external account may not be sufficient to offset the coming reversal of the fiscal stimulus that provided the real impetus behind last year's growth.

In the current year the government will implement a package of tax increases and social security changes equivalent to Y9,000bn (£44.5bn), or close to 2 per cent of gross domestic product. This is harsh medicine. With the recent buoyancy of consumer spending spurred largely by a desire to beat this month's sales tax increase from 3 per cent to 5 per cent, it is not easy to share the confidence of officials in Tokyo that recovery is now on a self-sustaining path.

The deep-seated problem of the Japanese economy is that it suffers from excess savings in relation to the investment opportunities. Returns in both the real economy and in financial markets are low in relation to asset prices. Since the bursting of the stockmarket bubble in 1990, this structural imbalance has been compounded by a banking crisis.

The Bank of Japan's response has been to reduce interest rates to the lowest level seen in any of the leading industrial countries since the 1930s. But even with the discount rate at 0.5 per cent, accommodating monetary policy is doing more to inflate asset prices in the rest of the world than in Japan (see charts).

In effect, Japan's fiscal expansion bought time which should have been used to address the structural problems of the economy through deregulation. Yet the impetus of the programme of administrative reform proposed by the government of Mr Ryutaro Hashimoto is not notably robust – except in the high-risk area of financial deregulation.

Tokyo's Big Bang, named after the deregulation of the London Stock Exchange in the mid-1980s, will have profound effects, starting with the revision of the Foreign Exchange and Foreign Trade Control Law next year. This will give individuals and institutions the freedom to do business wherever tax rates and transaction costs are lowest around the world.

As Ms Mineko Sasaki-Smith, chief economist of Credit Suisse First Boston Securities (Japan) points out, this will force further liberalisation, since any failure to adjust transaction costs in the Japanese markets to global norms will drive business offshore. Increased international competition will thus compel financial institutions to reduce their excess capacity. As the weak founder, the burden on surviving institutions will increase.

Financial deregulation represents a political victory for the young Turks of the international finance bureau of Japan's Ministry of Finance. Ultimately, it will facilitate a restructuring of banking, securities and insurance under a single holding company umbrella, along the universal banking model. Yet a palpable sense of unease can be detected among older officials about the timing and pace of the reforms.

While the radicals are right that the forces of the global market cannot be kept at bay forever, this is not an easy moment to increase the pressure on banks. Since the big write-offs made against bad debts last year, they have not raised additional capital. And their equity shareholdings in Japanese industry and commerce leave their capital base very vulnerable to the fluctuations of the stock market.

According to Mr Pelham Smithers, a strategist at ING Baring Securities (Japan), the banks' equity portfolios have not shared fully in the rise in the stock market since its low point in 1995. The chief beneficiaries of the uplift have been the foreign investors who backed the beneficiaries of a cheaper yen. The banks are more heavily invested in the less efficient sectors of the economy, which are not exposed to global competition.

Moreover, the government's new measures to prop up the property market come too late to make much difference to the solvency picture on March 31.

With the Nikkei 225 index closing at just above 18,000 at the end of the financial year, there is speculation that some banks could find themselves in breach of the minimum capital requirements set by the Bank for International Settlements. Between now and May when the bank reporting season starts, auditors will confront difficult judgments on whether client banks can be regarded as going concerns.

Mr Hashimoto's government has made clear that depositors will be fully protected for a period of five years. It has also given a pledge that none of the top 20 banks will be allowed to fail. That said, the credit rating agency Moody's recently sent a frisson through the financial community by downgrading the senior debt of Nippon Credit Bank, one of Japan's three long-term credit banks, to junk bond status. The bank is undergoing a painful restructuring amid reports that the chairman is about to resign.

There is talk in Tokyo of the need for one or more large banks to be allowed to fail, to convince the public there can be no solution to the banking crisis – or the wider problems of the economy – without using taxpayers' money to recapitalise the system.

Looked at in a longer-term perspective, there are two ways in which Japan can move towards a less distorted pattern of asset prices and returns. Either asset prices can be allowed to fall closer to the levels prevailing in global markets, while deregulation opens up enhanced profit opportunities that raise the yield on those assets. Or inflation in product prices, combined with yen weakness, can be allowed to wipe out the historic burden of debt in the banking system.

The difficulty with the first approach is that it would endanger the banks, in the absence of a commitment to use public money to address the solvency problem. And with borrowing costs absurdly low, there is no pressure on large corporations to raise their return on equity to the levels in the US.

Yet the long-run logic of financial deregulation is that investment returns must equalise with global norms, after allowing for risk. This, according to Mr Yuichi Ezawa, group senior adviser at J.P. Morgan in Tokyo and a former official at the Ministry of Finance, will call for a very substantial downward adjustment in equity prices.

The recognition that asset prices are out of line with incomes in what is now a mature economy also preoccupies top officials at the ministry. The growing enthusiasm of private Japanese capital for the higher bond yields available overseas should thus spread in due course to foreign equities.

As for the inflationary escape route, this would be profoundly destructive in a high-saving economy in which investors provide for retirement through fixed-interest bonds. Japan's social cohesion, already rocked by the depredations of the bubble economy, would be further undermined.

In short, there is no painless way over the current logjam. As so often in the past, a shock is required before policy can make the necessary adjustments.

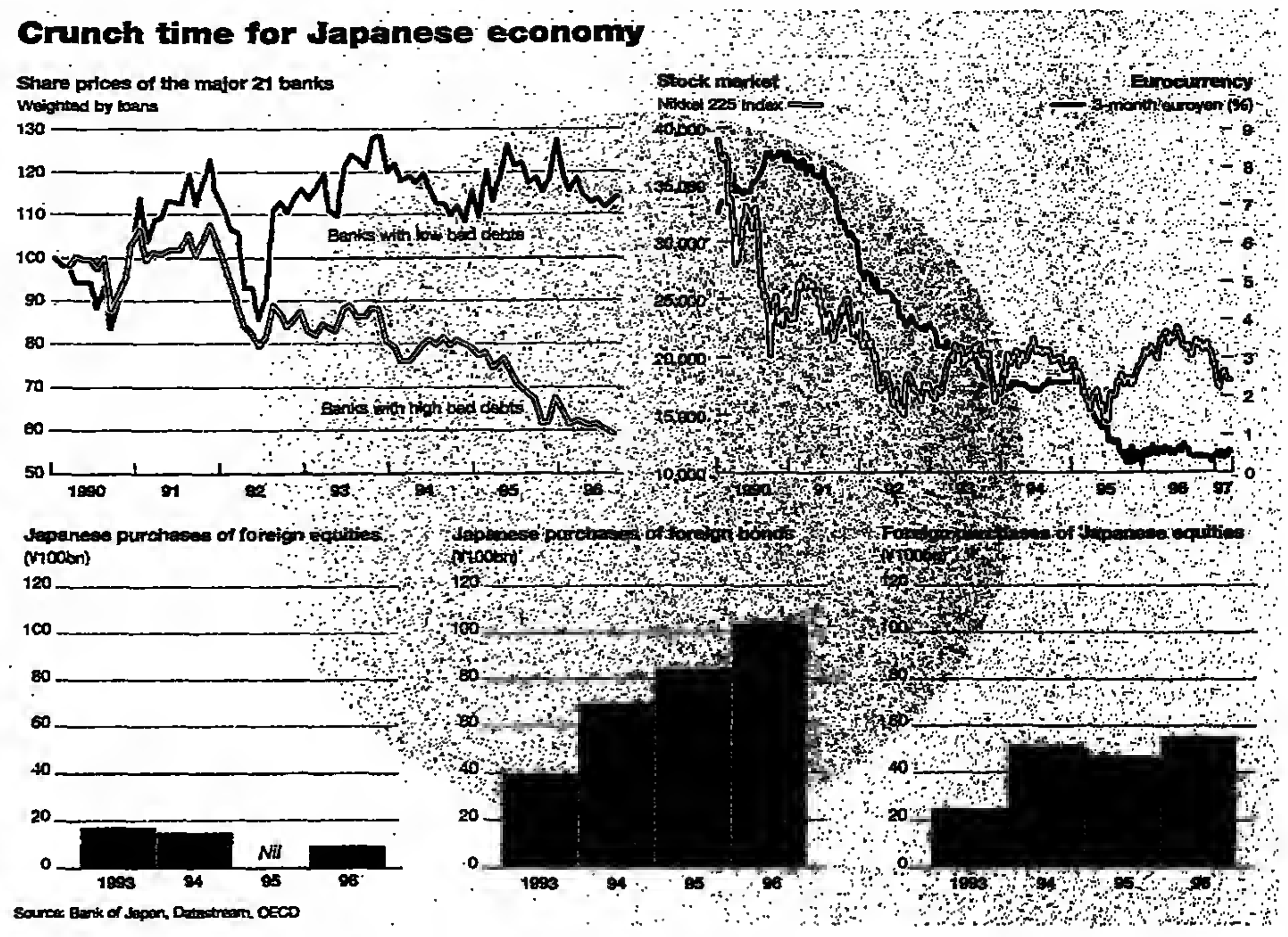
One far from implausible scenario is offered by Mr Yoshio Suzuki, shadow finance minister of the New Frontier, the main opposition party and a former director of the Bank of Japan. He forsees real growth falling to zero in the first half of the fiscal year, while predicting growing concern over worsening credit ratings for some larger banks. This would be accompanied by a widening of the so-called Japan premium, which imposes a higher cost of wholesale funds on Japanese banks in international markets.

If, in extremis, this triggered turmoil and Mr Hashimoto's government felt unable to address the resulting crisis with public money, the government might fall – paving the way for a new regime with a new blueprint for a reorganised financial system.

It is, perhaps, too easy to be pessimistic about Japan. The visitor to Tokyo is struck by the readiness of the business community and a growing number of bureaucrats to embrace radical measures. A combination of global market pressure and electoral reform is beginning to have a tangible effect.

Yet past expectations of the economy have been so high that the problems of a mature economy appear deeply unsettling. The sense of unease is compounded by the failures of the bureaucratic elite to rise to new challenges. It was much easier to provide successful guidance when the economy was catching up with the rest of the world.

The real ground for worry is that Japan has shown a genius for deferring the inevitable. This year will probably see a crunch in the financial system. But how beneficial or otherwise the shock might prove is, as usual, impossible to say.



Source: Bank of Japan, Datastream, OECD

· OBSERVER ·

Keep on digging

■ Beleaguered officials at Bre-X Minerals, the Canadian exploration company which apparently overestimated its $3.6bn estimate of gold reserves at the Busang site in Indonesia, may yet derive some comfort from unlikely quarters.

Bre-X, which needs a lot of comforting right now, may learn more about the gold deposits from the Filipino family of Mr Michael de Guzman, the company's chief geologist who died after falling from a helicopter en route to the Busang venture two weeks ago. Questions have since been raised over whether or not the accident was a suicide.

After his burial in the Philippines on Friday, the family says it will probably hold a press conference at which everything will be cleared up. Bre-X will be hoping that means a contradiction of the recent findings of the independent Canadian consulting firm Strathcona Mineral Services, which believes prospective gold reserves at Busang were exaggerated because of invalid samples.

Mr Simplicio de Guzman, brother of the late geologist, offers the slender chance that there may yet be better news for Bre-X. "My brother is a very methodical person. He is very analytical; all these speculations of the gold not being there, it's unthinkable." Brotherly duty or insider knowledge? All should soon be revealed.

Flagging

■ Only 91 days to go and, slowly but surely, the itsy-bitsy final details surrounding the handover of Hong Kong to China are falling into place. All tickets for the free cruise on Britannia have been allocated, the bands and music selected and a playing order chosen – leaving little more than a diplomatic brainteaser over flags.

Everyone, it seems, has for ages accepted that midnight on June 30 will see the flags of the United Kingdom and Hong Kong lowered, to make way for the flags of China and of the new Hong Kong Administrative Region. But choreographing all the flagpoling activity has apparently eaten up hours of precious time for the Sino-British joint liaison group which is handling details of the transition.

Britain, it seems, wanted the Hong Kong flag lowered first, followed by the Union flag – "underlining a dignified retreat from the colony" – with the new Hong Kong flag, bearing the bauhinia flower, to be raised ahead of the five-starred Chinese banner. The Chinese objected, though no-one seems entirely sure why, so imaginary flags were raised and lowered until everyone felt dizzy. Reports of an agreement over the weekend suggest that both British and old Hong Kong flags will now be brought down simultaneously before their replacements get to flutter in the balmy, Chinese air.

Batteries extra

■ This Internet business is getting too big for its boots. An increasing number of companies seem to be hiding behind their web pages when asked the most straightforward questions. Take St Louis-based Ralston Purina, maker of Eveready batteries and Purina Chow animal foods; while it's among the world's biggest manufacturers of consumer batteries, Ralston isn't exactly keen on divulging details of how it goes about its business.

All requests for interviews are turned down and callers are, instead, directed to the company's Internet pages – which boast a wealth of "battery buzz", most of it clearly intended to appeal to 10-year-olds.

Frustrated searchers can at least find the telephone number of the company's top public relations man, one Keith Schopp; problem is, he'll only talk to you to explain that if it's not on the company's website, then he can't help.

Daily Comet

■ Hands up all those who haven't seen comet Hale-Bopp – the great big "dirty snowball" last night a mere 120m miles from earth and now at its brightest in the night sky; no problem if you've missed it, of course, because it'll be back in around 4,200 years.

Such stellar spectaculars are always accompanied by predictions of calamity but the only damage caused by Hale-Bopp this time round will involve a few million sore necks.

The southern hemisphere, sadly, hasn't been able to join in the century's greatest free show; more alarming, however, for the deprived citizens of Australia is that budget cuts mean they won't even know the next time a "killer rock" from outer space comes over the horizon. Federal funding for the nation's Spaceguard search and tracking project dried up last year, leaving half the earth's sky unwatched. New cash is needed to restart an operation intended to give warning of catastrophe; a few million dollars will suffice – about as much as Australia spends on supporting its canoeing and volleyball teams. Perhaps Rupert Murdoch could buy the television rights.

Financial Times

100 years ago

50 years ago

FINANCIAL TIMES
Tuesday April 1 1997

Cairo meeting attacks east Jerusalem settlement

Arab states put closer links with Israel on hold

By Mark Huband in Cairo and Avi Machlis in Jerusalem

Arab states are to halt moves towards closer relations with Israel in protest at its building of a Jewish settlement in a disputed area of east Jerusalem.

Arab League foreign ministers agreed in Cairo last night to suspend moves to establish diplomatic ties with Israel, to close Arab and Israeli missions, to restore an economic boycott and to withdraw from multilateral peace talks.

Jordan, Egypt and the Palestinians will be exempt as they are bound by formal bilateral agreements with Israel.

At least two Arab states appeared to have expressed concern over the wording of the agreement, but a consensus was reached that included Oman, Morocco and Tunisia – the three states that have liaison offices, though not embassies, in Israel. The foreign ministers will now seek the approval of heads of state for the recommendation.

Mr Farouk Al-Shora, the Syrian foreign minister, said the Arab countries had been "forced to take such a decision" by the policies of Mr Benjamin Netanyahu, Israel's prime minister. "Arabs have taken a wise decision in response to a clumsy and stupid policy."

Mr Netanyahn told Israel radio the Arab move amounted to an attempt to overthrow his Likud-led coalition. He said: "Certain elements in the Arab world have perhaps developed an illusion they can dictate to the people of Israel who their government will be. The Arab world is testing us.

"But it is completely clear that returning to the tactics of the economic boycott will not succeed. They did not succeed when Israel was small, economically and otherwise, and they will not succeed today when we are much stronger."

Israel's opposition Labour party and other left-wing factions unsuccessfully tabled two no-confidence motions against the Netanyahu government in protest at the recent deterioration of Israel's international status.

Clashes between Palestinian demonstrators and Israeli troops continued yesterday for the 12th day, leaving 460 Palestinians injured, according to Palestinian radio.

Violence has flared since Israel decided to build the settlement – called Har Homa by Jews and Jabal Abu Ghneim by Arabs – in Arab east Jerusalem, control over which was to have been decided at negotiations on the final status of the city. The latest victim of the violence was killed by Israeli forces at the weekend near the West Bank town of Ramallah.

At the weekend, the Israeli army stationed tanks at the entrance to some Palestinian-controlled areas – a move described by Mr Yassir Arafat, president of the Palestinian Authority, as a "declaration of war against an unarmed people".

Israel yesterday destroyed the apartment belonging to the family of the Palestinian suicide bomber who killed three Israeli women at a Tel Aviv cafe 11 days ago. The demolition was condemned by human rights groups.

World Bank shake-up wins backing of member states

By Bruce Clark in Washington

Mr James Wolfensohn, president of the World Bank, yesterday won the unanimous approval of member states for a sweeping reorganisation of the institution designed to increase its efficiency.

The plan involves adding $250m to the organisation's running costs by 2000, and spending at least $60m on redundancies. Mr Wolfensohn said yesterday this extra spending would lead to the effective use of at least $2bn (£1.2bn) a year.

The bank lends $22bn a year to finance development projects across the world, but its role has been called into question as the flow of private sector money to development projects has increased in recent years.

Yesterday's approval follows weeks of wrangling since the plan was announced in February. The US, the UK and France were concerned by the cost of the proposals, and Mr Wolfensohn has scaled them down to ensure their acceptance.

"This is the beginning of a process of change and not the end," Mr Wolfensohn told a press conference at the bank's Washington headquarters yesterday.

In its current form the plan involves an immediate redundancy package of about $60m, with further instalments subject to the board's approval; in his original plan Mr Wolfensohn envisaged redundancy costs of $150m.

"There was a general feeling on the board that we should keep spending on redundancies as low as possible," said Mr Wolfensohn.

The original plan involved potential extra costs totalling as much as $370m by 2001 exclusive of redundancies, and running costs 3 per cent above current levels by 2001. Under the plan agreed yesterday, running costs will return to their current level of $1.1bn in 2001.

Mr Wolfensohn, who became president of the bank in 1995, designed the plan - the "strategic compact" - to tackle what he called "a crisis of effectiveness" at the bank, arguing that a third of its projects were below standard.

The plan aims to increase the proportion of bank staff working in "front-line" rather than back-office jobs from 52 to 60 per cent.

It was announced yesterday that the board would meet the president every six months to review progress on the plan - "the most exhaustive reporting procedures ever laid down in a multilateral institution" said Mr Wolfensohn.

Crisis at Nippon Credit Bank deepens

Continued from Page 1

the US credit-rating agency, in late March downgraded NCB's bonds from Baa3 to Ba1, the lowest for any leading Japanese bank.

It is the first time the agency has assigned such a rating to any of the 49 Japanese banks it covers.

Finance ministry officials said yesterday it was likely the central bank would support NCB through funds set aside to deal with bad loans at the country's failed "jusen" housing loan companies.

Some analysts welcomed the rescue plan as further evidence of the government's continuing commitment to protecting the top banks. An NCB official said restructuring was the "cheapest option" to closing down the bank.

However, many others have widely criticised the plan as an unwelcome return to the "convoy" system, in which stronger companies shepherd weaker ones in the interests of collective strength.

HK tempts Chinese emigrants home from Vancouver

By Scott Morrison in Vancouver

Thousands of the Hong Kong Chinese who have transformed Vancouver from a sleepy provincial capital into a vibrant international city in the last 10 years are turning their backs on Canada to return to the British territory.

Community leaders say the emigration is driven not only by opportunities in Hong Kong - due to return to Chinese rule in July - but also by concerns about Canadian tax levels and new business disclosure rules.

Chinese-Canadian leaders estimate thet 10,000 people will return to Hong Kong this year, mainly from Vancouver, and fear the outflow could damage British Columbia's already stagnating economy.

Asian immigration, particularly from Hong Kong, was credited with keeping British Columbia's economy booming while the rest of Canada floundered in the early 1990s.

"Business is going to suffer, because money is definitely leaving," said Mrs Joanna Kong, president of the Hong Kong Merchants' Association of Vancouver.

Evidence of the emigration is everywhere. Scores of $1m homes and exclusive apartments are up for sale and members of the Chinese community talk about friends and family who have decided to go home.

Most seem to be recent immigrants who have not been able to adapt or graduates who see better career opportunities in Hong Kong.

Many are returning to find work or to take advantage of Hong Kong's buoyant real estate and stock markets.

"People are gaining back confidence and they would obviously prefer to do business in Hong Kong rather than in Canada," said Mr William Yee of Vancouver's Chinese Benevolent Association.

Chinese community leaders say wealthy Chinese are disappointed that the provincial government has failed to fulfil its promise to repeal its 0.3 per cent corporate capital tax.

Some are concerned abont proposed federal legislation requiring all residents to disclose international assets.

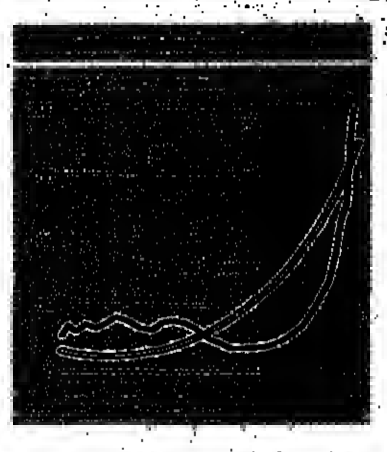
As the exodus gathers pace, fewer wealthy Hong Kong immigrants are arriving in Vancouver.

In 1993, the anthorities granted 1,500 investor class and entrepreneur class visas to Hong Kong residants with declared net assets totalling C$2.9bn. But only 574 visas were awarded in the first nine months of 1996, involving assets of C$756m.

Observer, Page 21

THE LEX COLUMN

Steeled for change



They may have shirked a full merger, but at least Krupp and Thyssen appear to be pulling few punches in the planned combination of their steel operations. Eight thousand job losses by 2002, a third of the combined steel workforce, should help produce savings of DM550m. And the phased closure of all three blast furnaces at Krupp's loss-making Dortmund site will shave 4m tonnes off Europe's 70m tonnes of flat steel capacity – which should improve prices.

Nevertheless, both Krupp and Thyssen are left with question marks hanging over their other activities. Krupp, having admitted that it lacks critical mass in engineering, machinery and car parts, needs to make acquisitions. Parts of its portfolio would fit well with businesses inside Mannesmann or Preussag, though it may also want to look outside Germany. Thyssen's problem is the opposite. After 20 years of ill-advised diversification, this deal turns it back into one of Europe's biggest – and potentially, best – steel makers. Its management should therefore accelerate its much-mooted disposal programme.

For Europe'a steel industry, the German merger could be extremely positive if it serves as a catalyst for further rationalisation. France'a Usinor Sacilor is keen to take over CSI of Spain and marginal producers such as Cockerill Sambre and Arbed also look vulnerable. But this is an industry which has lost virtually all the benefits of previous restructurings to customers, to the detriment of its shareholders. The Krupp/Thyssen deal on its own will not change this sorry state of affairs.

French share options

Mr Michel Bon's plan to issue share options to 1,000-1,500 France Telecom staff is unusual only in the sense that options will extend deeper into the business than is usual. But for top executives in French companies, share options are already pretty common – certainly more so than one might expect in a country which generally regards shareholders with nonchalance.

Why? The explanation has little to do with high-minded notions of shareholder value, and everything to do with tax. High-earners in France face hefty marginal tax rates and social security levies on their pay. And although the tax treatment of share options has recently been tightened, they remain a tax-favoured alternative for both executives and their employers.

From the corporate governance – if not the taxpayers' – point of view, this is no bad thing. Incentives matter, and if French executives can build largish fortunes through strong share price performance their shareholders are unlikely to complain. Still, there are snags. For one thing, shareholders are told very little about how many options are issued to individual executives, and the prices at which they can be exercised. This is important information which shareholders plainly have a right to know; it is, after all, their money. But there is a subtler problem too. However shareholder-minded their remuneration packages, to many French executives status matters still more than money.

UK takeovers

Would making hostile bids harder also make them fairer? The brouhaha over last year's takeover of Northern Electric has already shown that allowing advisers – on either side – to buy shares in the target company is a dubious practice. Now the Takeover Panel is widening its net to look at whether the predator itself should be restricted from buying shares. Under the current rules, a cash bidder can buy up to 30 per cent of its target in the market.

At first glance, making it more difficult for bids to succeed merely tilts the odds in favour of poorly performing companies, which is clearly undesirable. And if shareholders are willing to sell out early to a bidder in return for certainty, that is their prerogative. But this reasoning misses one crucial point, that of fairness. Typically, the only shareholders actually able to sell to the bidder in the course of a bid are the big institutions. Private shareholders almost invariably miss out on "dawn raids" and tender offers.

A more even-handed approach might be the one used in the US, where a bidder is barred from buying shares in its target once it has launched an offer. Nor can the target buy in its own shares, putting both on an equal footing. This has not noticeably stemmed the flow of bids and deals in the US. For the panel, adopting this approach might prove too radical. It may prefer to cut the ceiling on market purchases to, say, 15 per cent as a first step. But, as the recent crumbling of the UK's rights issue system shows, practices once thought to be written in stone can change.

The millennium

How should investors deal with the millennium? According to the doomsters, transport, communication and banking systems will collapse at midnight on December 31 1999 as computers around the world go on strike. The resulting turmoil would, inevitably, spill over into financial markets. Far from being a disaster, however, this could prove to be an opportunity; this week is expected to see the launch of the first investment trust designed to exploit the potential.

Provisionally called The Luddite, the trust intends to follow a three-pronged approach. The first will be to back start-ups in industries which will *benefit* from potential millennium mayhem; stagecoach builders, pigeon breeders and manufacturers of piggy banks are obvious examples. Second, The Luddite will invest in companies whose activities should be relatively *immune*; small businesses in primary industries such as agriculture and forestry spring to mind. Third, the investment trust will take short positions in stocks which can be expected to fall if chaos strikes, especially those firms that are dependent on big high-tech networks such as airlines, banks and telephone operators.

Finally, The Luddite will have to avoid getting caught up in technological mayhem itself. So it is not planning to seek a formal stock exchange listing or pay dividends. Any profits it makes will be distributed in the form of Harrods gift vouchers.

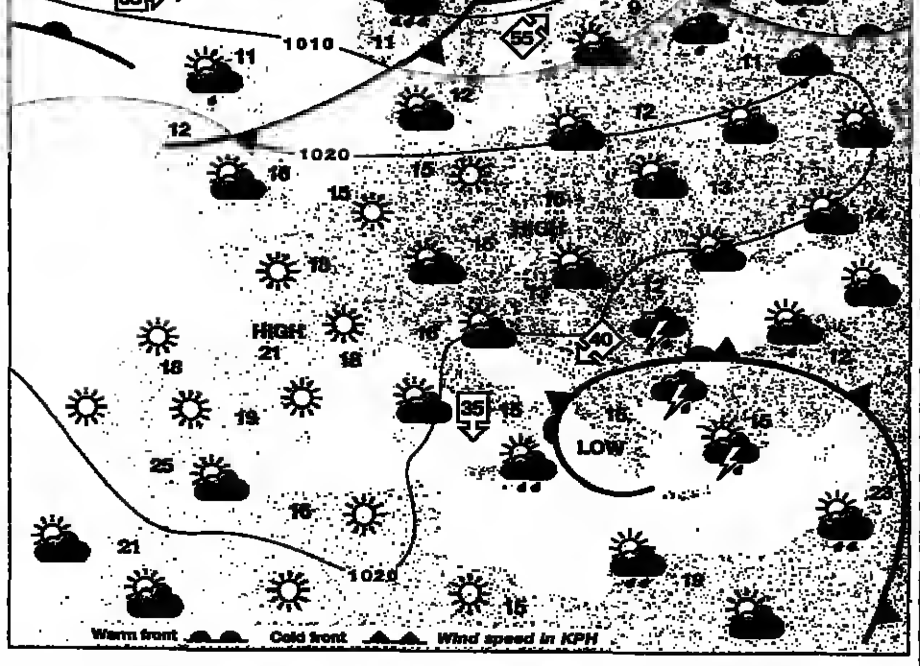
FT WEATHER GUIDE

Europe today

Western Europe, with the exception of the northern UK, will be sunny and dry. France and Spain should be unseasonably warm. Scandinavia will be rather windy with showers across Norway but there will be plenty of sun in Sweden. The Balkans will continue unsettled with heavier showers over Romania, Greece and western Turkey. Central Italy will turn dry and sunny but cloud will linger in the Alps. Poland and the Baltic states will become sunny after a misty and cold morning but Russia will continue cloudy. North of the Alps, it will turn warmer with springlike temperatures.

Five-day forecast

A cool north-westerly flow will return to Europe from Thursday but Spain and France will continue dry and sunny until the end of the week. The eastern Mediterranean will be unsettled with thunder showers. Northern Europe will turn colder after Thursday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	rain 18	Caracas	sun 29	Faro	sun 19	Madrid	sun 22	Rangoon	sun 37
	Celsius	Belfast	fair 12	Cardiff	sun 14	Frankfurt	sun 17	Majorca	sun 18	Reykjavik	shower 1
Abu Dhabi	sun 25	Belgrade	fair 14	Casablanca	shower 20	Geneva	sun 16	Malta	fair 13	Rio	shower 26
Accra	fair 32	Berlin	sun 15	Chicago	sun 13	Gibraltar	sun 18	Manchester	sun 13	Rome	fair 15
Algiers	sun 19	Bermuda	shower 20	Cologne	sun 17	Glasgow	fair 12	Manila	fair 33	S. Frsco	sun 20
Amsterdam	sun 14	Bogota	shower 19	Dakar	sun 23	Hamburg	sun 15	Melbourne	fair 20	Seoul	fair 18
Athens	shower 14	Bombay	sun 34	Dallas	rain 18	Helsinki	fair 10	Mexico City	shower 27	Singapore	thund 33
Atlanta	sun 21	Brussels	sun 18	Delhi	fair 28	Hong Kong	fair 23	Miami	sun 25	Stockholm	fair 13
B. Aires	sun 28	Budapest	fair 15	Dubai	sun 25	Honolulu	fair 29	Milan	sun 17	Strasbourg	sun 17
B.ham	sun 16	C.hagen	fair 11	Dublin	fair 13	Istanbul	thund 14	Montreal	sleet 2	Sydney	fair 22
Bangkok	shower 36	Cairo	cloudy 24	Dubrovnik	cloudy 12	Jakarta	shower 32	Moscow	cloudy 9	Tangier	windy 21
Barcelona	sun 17	Cape Town	shower 23	Edinburgh	cloudy 12	Jersey	sun 14	Munich	cloudy 14	Tel Aviv	fair 24
						Karachi	sun 30	Nairobi	thund 28	Tokyo	sun 20
						Kuwait	sun 25	Naples	fair 14	Toronto	sun 8
						L. Angeles	sun 20	Nassau	sun 27	Vancouver	fair 10
						Las Palmas	fair 22	New York	sleet 7	Venice	fair 15
						Lima	fair 26	Nice	sun 17	Vienna	fair 15
						Lisbon	fair 24	Nicosia	fair 22	Warsaw	sun 18
						London	sun 17	Oslo	cloudy 13	Washington	fair 12
						Lux.bourg	sun 16	Paris	sun 18	Wellington	sun 17
						Lyon	sun 17	Perth	sun 26	Winnipeg	rain 8
						Madeira	fair 21	Prague	sun 15	Zurich	sun 14

FINANCIAL TIMES

COMPANIES & MARKETS

Tuesday April 1 1997 Week 14

IN BRIEF

European bonds suffer downturn

With the exception of Spain and Portugal, all European government bond markets showed negative returns last month, according to Salomon Brothers, the US investment bank. Meanwhile, strong economic data led US Treasury prices lower at the long end of the maturity spectrum yesterday. Page 29

WMX in $1bn share buy-back offer
WMX Technologies, the Illinois-based international waste haulage company, has offered to buy back $1bn, or about 30m shares, from shareholders in a repurchase programme that begins tomorrow and expires on April 28. Page 25

Charges hit Italy's Finmeccanica
Finmeccanica, the defence, energy and high-technology group controlled by the Italian state, announced 1996 losses of L540bn (£202.50m) after a move to clean up its balance sheet before privatisation. Page 26

Smart in big Philippines issue
Smart Communications, the Philippines' leading cellular phone group, is set to raise between 5.4bn pesos and 9bn pesos ($205m-$341m) in one of the country's biggest initial public offerings, in June or July. Page 25

Lufthansa confident of recovery
Lufthansa, the German national airline, expects profits to rise to 1995 levels this year after a drop of around 10 per cent in the pre-tax result for 1996. The airline's main problems in 1996 were higher fuel prices. Page 26

CFF seeks FFr2.5bn injection
Crédit Foncier de France, the troubled mortgage lender taken over by the French state last year, needs to find an outside investor willing to inject FFr2bn-FFr2.5bn ($354m-$443m) in order to survive. Page 26

BSkyB seeks funding for new venture
British Sky Broadcasting is seeking £600m-£700m ($954m-$1.1bn) for its planned digital television joint venture with British Telecommunications. The money would be used to subsidise the launch of digital TV in the UK. Page 24

Malaysia airline to raise M$3.3bn
Malaysian Airline System, the national carrier, has announced plans to raise M$3.27bn (US$1.32bn) to expand its fleet and help build Malaysia's new international airport. The funds are to be raised through a rights issue and a bond issue. Page 25

MEPC-Hammerson merger talks end
MEPC said talks about a possible merger with Hammerson, another UK property company, have ended. But MEPC did not rule out the possibility of future talks with Hammerson. Page 24

Companies in this issue

Market Statistics

http://www.FT.com

Chief price changes yesterday

NEW YORK ($)			
Rises			
Bay Network	18	+	⅝
Disc Auto	15½	+	¾
Dynamics Amer	37¼	+	4¼
Falls			
Columbia HCA	32⅝	−	5⅛
Readers Dgst	26¼	−	3⅝
Value Health	18¼	−	3⅛
TORONTO (C$)			
Rises			
Beacon Eye	4.5	+	0.5
Corriente Res	14.85	+	1.95
Lakeside Res	0.95	+	0.2
Day Petroleum	1.05	+	0.22
Falls			
AGF Mgmt B	32.75	−	3.75
Golden Star	14.65	−	1.85

TOKYO (Yen)			
Rises			
Aoyama	2800	+	130
Gakken	569	+	22
Stanley Elec	599	+	24
Toshoku	414	+	28
Falls			
Daikyo Inc	401	−	43
Nippon Soken	282	−	28
BANGKOK (Baht)			
Rises			
Central Pat	75.0	+	8.0
Jalaprathan	25.75	+	2.25
Precious Ship	57.0	+	5.0
Falls			
Charan Ins	57.5	−	6.0
Thai Rubber	90.0	−	3.25
Utd Palm Oil	28.25	−	4.0

Frankfurt, Hong Kong, London and Paris closed. New York and Toronto prices at 12.30pm.

Bid battle for Thomson-CSF

Alcatel and Lagardère confirm offers as government softens anti-foreign stance

By David Owen in Paris

Alcatel Alsthom, the telecoms and engineering group, and Lagardère, the conglomerate, have formally declared their intention to bid for Thomson-CSF, the defence electronics group being privatised by the French government.

Confirmation that the two leading French companies will bid comes as some powerful voices in the government have dropped their opposition to the participation of non-French groups in any offer.

Prompted by fears that other European countries might leave France out of the current continent-wide defence sector restructuring if it were seen as too intransigent, these officials are now suggesting that foreign participation in French-led Thomson bids may be viewed as a positive advantage.

The privatisation of Europe's largest defence electronics company will be achieved through a trade sale of just over 50 per cent of its shares; nearly 42 per cent are already in public hands.

The government has made clear that it expects the lead company in a group bid to plan to hold more than a third of Thomson-CSF's capital or voting rights.

It plans to retain a golden share and to have a non-voting representative on the company's board. Government approval will be needed for any transaction that would result in 10 per cent or more of the company's voting rights or capital changing hands.

It had been widely assumed that the restructuring triggered by the Thomson sale would only extend to companies from other European countries in a second phase.

The government said earlier this month its aim was to facilitate the development of an electronics "pole" around Thomson that would "contribute effectively" to the restructuring of Europe's defence industry. Alcatel and Lagardère were competing bidders last year when the government tried and failed to sell the entire Thomson group.

Then, Lagardère appeared to have won, only for the sale to be suspended after an independent commission rejected the terms of its offer.

The two French groups confirmed their candidacies on Friday, the government's deadline for preliminary offers.

Alcatel's offer will be a joint bid with an arm of Dassault, the aircraft maker and final firm bids must be made by May 7. Mr Serge Tchuruk, Alcatel's chairman, has said that if his company's joint bid were successful, it would be "very open" to "targeted" joint ventures with other European defence companies.

Many observers still believe other European groups such as the UK's General Electric Company and Daimler Benz Aerospace (Dasa) of Germany will prefer to wait for a winner to emerge rather than risk backing the wrong horse.

Sir Richard Evans, British Aerospace chairman, spelt out his position in February, telling Le Monde newspaper the company was "continuing to support the candidacy of Lagardère" within the framework of Matra BAe Dynamics, the two companies' recently-formed missiles joint venture.

Racal seeks partner in network services

Alliance would provide equity for expansion in domestic and overseas markets

By Christopher Price

Racal Electronics, the defence and electronics group, is seeking equity partners for its network services business – including overseas telecoms groups and UK cable operators – as the consolidation of the global telecoms market gathers pace.

The company is hoping such an alliance, in which one or more partners would take a stake of up to 50 per cent in Racal Network Services, the world's seventh largest managed data network group, would give it more muscle and improved connections in the capital-intensive data and telecoms markets.

Analysts believe such a move could value RNS in excess of £500m ($795m). They forecast that RNS, which includes the former British Rail telecoms business, BRT, will have sales of about £270m in 1997.

Racal, which issued a profit warning in December, has limited scope to finance expansion through organic growth or acquisitions because of its gearing of 75 per cent. The group recently earmarked £90m for a three-year investment programme for BRT.

An overseas alliance would give Racal access to more international telecoms traffic and increase its chances of securing a slice of the lucrative European market. Likely candidates could include US telecoms group AT&T, Southwestern Bell and GTE.

Racal is also hoping to forge an alliance with one or more UK cable operators, similar to the merger of Mercury, Nynex CableComms, Bell Cablemedia and Videotron into Cable & Wireless Communications, the UK's biggest cable company.

While such a move would provide the company with access to the local consumer market, it would also increase Racal's attractiveness to overseas partners.

The company already has an agreement to carry national voice and data traffic for TeleWest, the second biggest cable group, and a more formal link could be established, according to analysts. General Cable and International CableTel have also been mooted as potential partners.

Racal's strategy of pursuing alliances will help stop speculation over the break-up of the group. The idea has been floated by some analysts as a way of realising the value of the group, which has three divisions – voice and data communications, defence electronics, and maritime and industrial services.

The idea gained currency following December's profit warning and was underpinned by the fact that Sir Ernest Harrison, the group's chairman, is now 70 and had previously led the demerger of Racal from Chubb and Vodafone in 1991.

Racal also is hoping to recover from its recent setbacks. The restructuring of the datacom products business, for which a £20m charge was taken last year, is proceeding and Racal is confident it will be profitable in 1997.

A restructuring of the radio division is likely to be announced with the annual results in June.

Racal chairman Sir Ernest Harrison led the demerger from Chubb and Vodafone but is not set on acquisition Picture: Trevor Humphries

Optus set to float after it buys out partners

By Nikki Tait in Sydney

Optus Communications, the Australian telecoms group, has moved to settle the legal action which has held up its A$4bn ($3.1bn) stock market float by buying out its partners in the Optus Vision cable consortium.

Optus Vision – one of two consortia laying cable networks across Australia – is owned 46.5 per cent by Optus; 46.5 per cent by US West, the US telecoms company; 5 per cent by Mr Kerry Packer's listed Publishing & Broadcasting group (with options to go higher); and 2 per cent by Seven Network, a local TV network run by Mr Kerry Stokes, the Perth-based entrepreneur.

Under the deal – struck in the early hours of Saturday after weeks of legal wrangling and negotiation – PBL, US West and Seven will swap their shares in Optus Vision for convertible notes in Optus Communications. The notes will convert into shares in the telecoms group when Optus' flotation goes ahead, probably later this year.

The catalyst was a court action brought by Seven alleging that the other Vision shareholders had breached a shareholders' agreement. This action will now be dropped. Optus said it expected that ownership could be transfered by the end of April.

Optus declined to comment on the terms of the convertible notes. However, Seven, in a separate announcement, said it would be able to acquire an initial 50m shares at A$1.25 each, with an option over a further 50m. PBL, meanwhile, would be entitled to 30m shares, at A$1.50 each.

Optus Vision, which incurred losses of around A$178m in the first half of 1996-97, is crucial to Optus' future: apart from pay-TV services, the company also hopes to run a local telephony service over the cable network.

It claims to have 180,000 subscribers – slightly more than the rival Foxtel cable network, being laid by Mr Rupert Murdoch's News Corporation, and Telstra, the government-owned telecoms group.

An estimated A$1.3bn-A$1.4bn is thought to have been invested in Optus Vision.

Ascend hit by Cascade deal

By Nicholas Denton in San Francisco

Investors wiped $1.5bn yesterday off the market value of Ascend Communications in the wake of the networking equipment manufacturer's $3.7bn acquisition of Cascade Communications.

In the latest round of consolidation among networking hardware makers contending with the growing dominance of Cisco Systems, Ascend said on Sunday it was buying Cascade in a stock deal. Ascend was advised by Deutsche Morgan Grenfell.

Analysts accepted the logic of marrying Ascend's leadership in supplying remote access servers to Internet service providers with Cascade's strengths in modern technologies for switching telecommunications traffic such as ATM and frame relay. However, shareholders thought Ascend had paid too much.

Ascend and Cascade had combined revenues of only $890m in the last four quarters, but both companies are growing rapidly and their combined market capitalisation – $8.8bn at the end of last week – is second only to Cisco, which is worth $38.7bn, in their sector.

Networking equipment manufacturers' shares command high earnings multiples because they provide the plumbing for the Internet and are seen by investors as more reliable than software companies as a way of tapping into the Internet's growth.

But as the deal was unveiled Cascade signalled first-quarter revenues of about $90m, compared with Wall Street forecasts of about $110m. Analysts said telecoms carriers, in an uncertain regulatory environment, may be holding off on equipment purchases.

Cascade's disappointing results led investors to focus on the 28 per cent premium Ascend is paying for control of its counterpart. "A lot of shareholders think that the Ascend management should have waited and picked up Cascade at a much lower price," said Mr Joe Noel, an analyst at Hambrecht & Quist.

Depressed both by reaction to the deal and a broad market retreat, Ascend shares fell $10.5 to $41.5 in heavy trading yesterday morning. Cascade shares - for each of which Ascend is offering 0.7 of its own - fell $1.25 to $27.25.

Institutions also questioned the practicality of combining Ascend, based in California, and Cascade, which has its HQ in Massachussets.

New rate swaps in demand

By Semer Iskandar in London

New financial instruments will help businesses manage the sharp changes in short-term interest rates which could occur in the run-up to next month's general election in the UK.

The financial instruments – Overnight Indexed Swaps – are based on a new index of interest rates launched recently by two trade bodies, the British Bankers Association and the Wholesale Market Brokers' Association.

J.P. Morgan, the US bank which launched the first sterling OISs last week, traded the equivalent of £700m ($1.11bn) of the instruments in just two days. It said demand was prompted by uncertainty over the direction of sterling interest rates. Last week's monetary policy tightening in the US has increased speculation that the next UK government will raise the base rate from 6 per cent.

The new index - known as the Sterling Overnight Indexed Average (Sonia) – is a daily average of the rates paid for overnight deposits of more than £5m, by London's seven largest money brokers.

"The availability of an overnight index [in countries where such indices exist] has favoured the development of the cash management industry," said Mr William Porter, a vice-president at J.P. Morgan in London.

The US bank believes that OISs are becoming the leading tool for covering short-term interest rate risk in Europe. In France, for example, the volume of OIS trading approaches that of interest rate futures and options listed on derivatives exchanges.

OISs allow borrowers and lenders that intervene in the markets every day to protect themselves from – or bet on – changes in interest rates, by exchanging liabilities with each other or intermediaries.

The prices at which Sonia OISs were exchanged last week reflected an expectation that Mr Kenneth Clarke, the chancellor of the exchequer – or his successer, should Labour win the election – would raise the base rate by between one-quarter and one-half of a percentage point on May 7, after the monetary policy meeting with the governor of the Bank of England.

BSkyB seeks £600m in digital venture

By Hugo Dixon

British Sky Broadcasting is seeking £600m-£700m ($954m-$1.11bn) tn establish its planned digital television joint venture with British Telecommunications.

The investment – from BSkyB, BT and other partners – is larger than many observers had expected.

The money would be used tn subsidise the launch nf digital television in the UK by cutting the price of set-top boxes needed to receive digital TV to £200-£300 from the retail cost of about £400.

The partners are establishing a new company, Interactive Services, to subsidise the boxes. BT wants to ensure they have a modem which can be plugged into a telephone line, enabling customers to communicate with service providers and allowing interactive applications such as home banking and shopping.

BT also hopes to provide services such as video on demand and educational programmes over its telephone lines through the boxes. Under current regulations it is not allowed to broadcast entertainment services hut can transmit programmes on an individual basis.

Initially, the plan was to subsidise boxes for BSkyB's digital satellite service, which is due later this year. But recently Interactive Services has opened negotiations with British Digital Broadcasting, one of the two consortia bidding to run digital terrestrial TV, with a view to also subsidising its boxes. BDB's shareholders are BSkyB, Carlton Communications and Granada.

If the talks bear fruit it would mark a change of tack by BSkyB, which earlier said it expected a subsidy only for the satellite service.

Despite more than year of negotiations between BT and BSkyB Interactive Services has yet to be formally established – partly because agreement has yet to be reached on how much each partner would invest.

Interactive Services is expected to include at least two other partners. Matsushita, the Japanese electronics group, would manufacture some of the boxes and HSBC, the banking group, would help finance and supply home banking services. Carlton may also join.

MEPC and Hammerson end talks

By Samer Iskandar

Talks about a possible merger between MEPC and Hammerson, two of the largest UK property companies, had ended, MEPC said yesterday.

But the company, the UK's third largest property group with a market value of £2bn ($3.2bn), did not rule out the possibility nf future talks with Hammerson. However, one source familiar with MEPC said that no serious offer had been made and none could "realistically" be expected in the near future.

The negotiatinns started earlier this year when Hammerson, the UK's fifth largest property company with a market value of £1.25bn, approached MEPC with a merger plan involving disposals of MEPC assets.

Analysts pointed out that a merger would help Hammerson reduce its deht ratios, which are significantly higher than MEPC's. But from MEPC's standpoint, the benefits were less obvious. "It [a merger] would be like using its capital to finance Hammerson's projects," said one observer.

MEPC has recently disposed of some of its European assets and cut down on expenditure. In contrast, Hammerson has heen expanding aggressively with a £825m development programme including the Bull Ring project in Birmingham. This has raised its deht levels to about 1.5 times its capital and led it to consider a rights issue. MEPC's deht amounts to slightly less than its capital.

The merger is believed to have had the support of a minority of MEPC shareholders disappointed with the share performance since the property slump of the early 1990s. Phillips & Drew Fund Management, which holds stakes of more than 15 per cent in both companies, is also understood to he in favour of a deal.

However, it transpired from sources familiar with both companies that there was a culture clash between Hammerson's ambitious plans and MEPC's conservative management.

One said the arguments in favour were also "unconvincing". They included the increased diversification of the property portfolio, as well as admission of the enlarged group into the FTSE 100, which MEPC dropped out of recently.

Both companies yesterday refused to comment hut analysts believe a hostile bid is unlikely, due to Hammerson's indebtedness.

Head to head: Ronald Spinney (left) and James Tuckey, chiefs of 'aggressive' Hammerson and 'conservative' MEPC, call off merger plans as observers talk of culture clash

Otto reiterates Freemans interest

By Christopher Price

Otto Versand, the German retail group, yesterday sought to put pressure on Sears by stating it was still keen to buy the Freemans home shopping business and complete any deal ahead of an inquiry by competition authorities into the disposal to Littlewoods.

Sears reopened talks with Littlewoods last month following the breakdown of negotiations with rival home shopping company N Brown over the £395m ($628m) price tag on the UK's third largest catalogue business. The move led to renewed criticism by analysts of Sears' management over the protracted disposal.

Littlewoods had previously pulled out of talks after the deal was referred to the Monopolies and Mergers Commission. Sears subsequently began discussions with N Brown.

Hnwever, Otto admitted the price it was willing to pay was some £40-£50m below Sears' initial asking price. Sears hroke off talks with N Brown when the latter dropped its offer to similar levels.

But Otto, which owns the Grattan home catalogne business, insisted its offer of a guaranteed amount was a better deal than Sears hav*ing to wait for the outcome* of the MMC inquiry and any conditions that may entail.

Nervousness restricts UK flotations

By Christopher Price

The amount of money raised by *companies floating on* the London stock market fell to its lowest level for several years in the first quarter amid concerns about the *effect of the UK general elec*tion and worries among some investors that stock market valuations may be excessive.

About £246m was raised in the *first three months* of 1997, compared with £2bn in the final quarter of 1996, according to KPMG, the accountants. The latest fig*ure is also less* than a third of the £919m raised during last year's first quarter.

The sharp decline will surprise analysts, many of whom predicted a rush of *companies coming* to the market ahead of a possible change of government. But because the election could have been called at any time after the new year, many apparently rushed to achieve a flotation last year.

Some investors had complained of "overheating" in the last quarter of 1996 as a *flurry of new issnes* at a time of rising valuations prompted an increase in new issue prices. Relnctance to pay high prices for flotations, which are traditionally priced at a discount to their sector and/or peers, have led some companies to postpone their dehuts until after the election.

The number of *flotations*, excluding those on Aim, fell to 20 in the first quarter. This compared to 33 in the previous three months, but *was higher than the 16* recorded in the first quarter of 1996.

NEWS DIGEST

BA completes sale to Ryder

British Airways has completed the transfer of its ground fleet services division to Ryder System, the US-based vehicle services group. The disposal is part of BA's strategy of concentrating on core services and nutsourcing other operations to save £1bn ($1.59bn) over three years.

The division provides fleet management and maintenance services for BA and other airlines at Heathrow and Gatwick. BA said that it had awarded a five year contract to Ryder for its vehicle needs at the two UK airports.

BA said thet 415 of the division's 486 staff will move to Ryder. The other 71 have either accepted offers of early retirement, voluntary severance or new jobs with BA.

BA has estimated the value of the assets being transferred at £50m. *William Lewis*

Country Casuals setback

Manufacturing losses severely dented operating profits at Country Casuals Holdings, the UK clothing group that may be taken private by its chief executive.

Lerose, the garment manufacturer, fell £1.12m into the red as sales almost halved to £3.58m. *Losses* at Elvi, which specialises in clothes for larger women, were cut from £2.1m to £1.59m as sales grew 19 per cent to £10.2m.

These businesses were put up for sale last month and on Tuesday Mr Mark Bunce, group chief executive, said *he might make an offer for the whole group.*

At the pre-tax level, profits for the year to January 25 were £106,000, compared with £249,000 previously when £1.1m was spent defending the group from a 140p a share hostile bid led by former chief executive Mr John Shannon. *David Blackwell*

William Cook declares victory

William Cook marked the final victory in its bitter takeover battle when its shareholders voted to delist from the London Stock Exchange. Thursday's EGM vote ended 42 years as a publicly quoted company for the Sheffield-based steel castings concern. The company said it had won acceptances representing 98 per cent of the shares for its management buy-out deal. *Richard Wolffe*

Pillar in £18m disposal

Pillar will today announce it has sold Mercury House, a 100,000 sq ft development near Bracknell, Berkshire, for £18m. The sale, to the Teachers Insurance & Annuity Association, represents a profit of about £3m and a net initial yield of about 8 per cent. *Michael Lindemann*

Property powers Swan Hill

Swan Hill, the restructured UK property group formerly known as Higgs & Hill, announced a 46 per cent rise in pre-tax profits to £3.4m from property, on sales 83 per cent ahead at £40.4m. Its housing arm increased sales 10 per cent to £42m last year but slipped from £585,000 profits to £291,000 losses as it developed low-margin land.

Partners seeks placing

Partners Holdings, the UK stationery retailer, is seeking a placing on the London Stock Exchange this month to help fund its expansion from 80 outlets to 220 by 2001. For the *40 weeks to January 4 the company made £1.68m pre-tax* on sales of £23.9m. Peel Hunt is sponsor and broker.

Smart to raise up to 9bn pesos

Justin Marozzi in Manila

Smart Communications, the Philippines' leading cellular phone group, is set in raise between 5.4bn pesos and 9bn pesos ($205m-$341m) in June or July in one of the country's biggest initial public offerings.

Smart, a joint venture between Metro Pacific, the local arm of Hong Kong-based First Pacific, and NTT, the Japanese telecoms carrier, said it would offer up to 450m of its shares, representing about 20 per cent of group equity, at between 12 pesos and 20 pesos a share.

Analysts said the pricing represented 27 to 45 times earnings for 1997. The group doubled net profits to 254m pesos in 1996.

The proceeds will be used primarily to expand the group's land line and cellular network. Companies such as Smart, which offer both international gateway facilities and cellular services, are obliged under government regulations to install 700,000 fixed lines by the first quarter of 1998.

The group will use a further 25 per cent to repay short-term loans and 25 per cent to acquire an additional stake of at least 40 per cent in Eastern Telecommunications a Philippines group.

The strategic tie-up with Eastern would mean Smart operated the entire northern Luzon region and half of Manila. At present all telecoms companies, excluding Philippine Long Distance Telephone Company, the former state monopoly, are limited in specific service areas.

Analysts said yesterday Smart would have a better reception from investors than other domestic telephone companies, but that the market's enthusiasm for another telecoms offering might be waning.

"There is still concern about cellular companies' exposure to fraudulent subscribers in the Philippines," said one. "Although so far Smart has successfully shielded itself from that problem, you're still going to have to do a lot of convincing to get foreign investors."

Smart planned to list on the local exchange last November, but decided to postpone the flotation until this year, following the poor reception of telecoms IPOs in Hong Kong, India and the Philippines.

Mr Michael Lonergan, chief financial adviser to Smart, said that with capital expenditure of 7bn pesos to 12bn pesos planned for 1997, the group needed the capital this year. "We're going to have to sell the company," he said.

Smart recently overtook Piltel, the cellular market leader and a subsidiary of PLDT, in number of subscribers. At the end of February, it had 360,000, compared with 357,000 for Piltel.

Olivetti PC head sees recovery in year

By Paul Taylor

Olivetti Personal Computers, spun off from Italy's Olivetti group through a leveraged buy-out, plans to focus on the higher margin professional market for corporate servers and portable notebook PCs, Mr Bernard Auer, chief executive, said.

"We are looking forward, as a new company with new shareholders, in having the necessary capital to assume normal business and normal trading," said Mr Auer. He insists that in spite of its relatively small size – the Italian group will sell between 700,000 and 800,000 machines this year – OPC can be returned to profitability quickly.

"Nobody can imagine investors who would accept a business plan which does not show profitability within 12 months," he says.

Mr Auer, who joined Olivetti from Digital Equipment, will share responsibility for running the new company based in Scarmagno near Milan, with Mr Alessandro Barberis, chief executive of Piedmont International, the company that was formed to buy the PC division from Olivetti.

"I will continue to be the person responsible for all the market and customer sides of the business," he says. "Alex will be responsible to Piedmont for the overall business, but will support me in my efforts to clean up and improve all the internal processes."

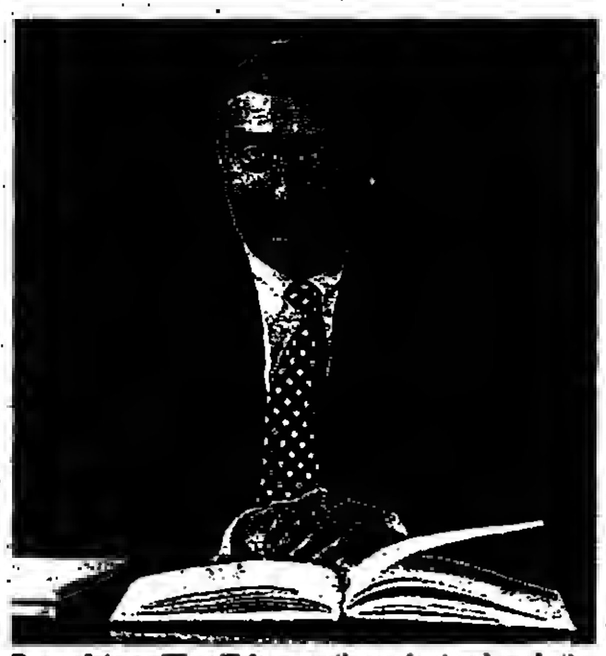
The turnround strategy is based on a business plan scrutinised by Booz, Allen & Hamilton, the UK consultants, and consists of a variety of projects to improve "virtually every line in the profit and loss statement".

Particular attention will be paid to cost controls, inventory levels, supply chain management and the forecasting process.

But Mr Auer says the bulk of the restructuring process – which has cut Olivetti PC's workforce from around 3,000 employees in 1995 to about 1,750 – is over.

"On the product side we will continue to concentrate on the professional market," with particular emphasis on the newly launched NetStrada range of corporate servers and the Echos and Echos Pro notebook PCs which helped Olivetti become the fourth largest portable PC supplier in Europe last year.

The company also intends to reduce its reliance on Olivetti's systems and services business, which accounts for around three-quarters of its server sales.



Bernard Auer: 'We will focus on the professional market'

WMX in $1bn share buy-back offer

By Laurie Morse in Chicago

WMX Technologies, the Illinois-based international waste haulage company, has offered to buy back about 30m shares for some $1bn in a repurchase programme that begins today and expires on April 28.

The company, which will change its name back to Waste Management as part of a restructuring, said in February it would spend as much as $1.7bn in buy back 50m shares by the end of 1998.

It said it would hold a "Dutch auction" for this round of repurchases, establishing a price range of $30 to $35 per share.

Shareholders can specify a price within that range where they are willing to sell their shares, and the company will accept the lowest offers first. The share repurchase programme is part of management's attempt to boost shareholder value. The restructuring also includes the sale of about $1.5bn in assets, and about 3,000 job cuts.

Two weeks ago WMX sold most of its Canadian operations to USA Waste Services. The revamp is not expected to help WMX's profits until next year, and the announcement was followed by a 15 per cent drop in the company's share price. WMX opened yesterday at $31 a share in New York and drifted lower with a weak stock market.

The restructuring was pushed by WMX former chief executive Mr Phillip Rooney. Mr Rooney resigned under pressure from big institutional shareholders shortly after the move was announced in February, and a search is under way for a replacement.

A $350m share repurchase by WMX's publicly-owned subsidiary, Wheelabrator Technologies, was cancelled last month. Analysts yesterday said the announcement of WMX's share repurchase programme showed it planned to go ahead with its restructuring plans, in spite of Mr Rooney's departure.

MAS in move to expand fleet

By James Kynge in Kuala Lumpur

Malaysian Airline System, the national carrier, has announced plans to raise M$3.27bn (US$1.32bn) to expand its fleet and help build Malaysia's new international airport.

The move, approved by the board of directors over the weekend, would rank as the company's largest capital raising exercise yet. The funds are to be raised through a rights issue and a bond issue.

Just over M$2bn would go towards buying 25 wide-bodied aircraft from Boeing, the US aircraft maker, worth an estimated M$10bn. The aircraft, 15 Boeing 777 200Xs and 10 of the company's 747s, are scheduled to be delivered from next month until 2001.

The remaining portion will be used to build Malaysian Airline's facilities for cargo, catering and engineering at the Kuala Lumpur International Airport, which is scheduled to start operating in January 1998.

Stock market analysts were optimistic about the financing plans, pushing up Malaysian Airline's share price 20 cents to M$6.60 yesterday, in spite of a retreating wider market.

The exercise will triple the number of outstanding shares to 2.31bn. The airline plans a one-for-one rights issue of 770m new shares at M$2.3 a share. It also proposed a one-for-one bonus issue of 770m ordinary shares with a par value of M$1 each. It will issue unsecured bonds with a nominal value of M$1.5bn, and 770m detachable warrants.

Mr Tajudin Ramli, the airline's chairman, said the company's debt/equity ratio will be reduced some time in 1998 after the capital raising is completed. The high proportion of debt to equity has been perceived as the company's biggest problem, and prevented the airline from raising debt finance this time, analysts said.

INTERNATIONAL NEWS DIGEST

ITT sells stake in Alcatel Alsthom

ITT, the US hotel and casino company facing a $6.5bn hostile bid from the rival Hilton Hotels group, yesterday said it had sold the rest of its stake in Alcatel Alsthom, the French telecommunications, transport and power engineering group, for $530m. The sale consisted of 4.5m shares, or 2.8 per cent of Alcatel Alsthom's capital, and was made to a US institutional investor with Alcatel Alsthom's approval.

The stake, which ITT said was sold at a premium of more than 25 per cent to book value, was a legacy of the days when ITT was a telecommunications company. The sums realised since ITT began selling non-core assets to thwart the Hilton Hotels bid now total $1.48bn.

Richard Tomkins, New York

Banco di Napoli cuts loss

Banco di Napoli, which in the process of being privatised, has reduced its loss to L1,651bn ($986m) in 1996, from L3,156bn the previous year. The deficit was in line with estimates when the treasury in December accepted a L61bn bid for 60 per cent of its shares from Banco Nazionale di Lavoro (BNL) and Ina, the insurance group.

Accumulated losses over the past three years amount to L5,945bn. When added to over L10,000bn in bad and doubtful loans, moved to a special holding as part of a pre-privatisation clean up of the balance sheet, Banco di Napoli represents by far the biggest loss in recent Italian banking history. *Robert Graham, Rome*

Seita ahead 15%

Seita, the French tobacco group best known for its Gauloises and Gitanes cigarettes, has posted a 15 per cent advance in annual profits, helped by cost cutting and higher international sales. The company reported a net attributable profit for 1996 of FFr786m ($141m) on turnover of FFr17.4bn, up from FFr684m on turnover of FFr16.4bn the previous year. Operating profit rose more than 26 per cent from FFr984m to FFr1.24bn. The group is proposing a net dividend of FFr6.60 a share, against FFr5.72 in 1995. *David Owen, Paris*

Philips to sell UPC stake

Philips, the Dutch electronics group, is to raise some Fl 800m ($424.44m) through the sale of its half share in UPC, Europe's largest private cable operator, to its joint venture partner, the Colorado-based United International Holdings. UPC is active in 14 European countries and Israel. Diluted for outside interests in its various services, it has 1.3m subscribers.

Of the proceeds, Fl 308m is in the form of new shares in UPC which Philips will be able to sell after the deal is finalised, in the third quarter of the year. The group is shedding peripheral holdings in an attempt to reverse a slide into loss last year. *Gordon Cramb, Amsterdam*

Credito Italiano advances

Credito Italiano, the privatised Milan-based bank, has reported a 43.5 per cent rise in 1996 net profits after minorities in L282bn from L196bn in 1995, and a 10.6 per cent rise in gross operating income to L2,260bn from L2,044bn. Although net interest slipped by 5.1 per cent to L4,291bn, other operating profits advanced by 26.5 per cent to L2,095bn. Strict control over costs drove down operating expenses by 0.2 per cent. Total assets rose 7.4 per cent to more than L175,000bn. *Paul Betts, Milan*

COMPANIES AND FINANCE

Charges hit Finmeccanica

By Robert Graham in Rome

Finmeccanica, the defence, energy and high technology group controlled by the Italian state, has announced 1996 losses of L540bn ($322m) after a move to clean up its balance sheet before privatisation.

The losses follow a decision to bring forward charges of L575bn on its defence and aerospace business. Without this, there would have been a modest L35bn profit against L40bn in 1995, after normal amortisation charges of L700bn.

The charges were expected to be spread over three to seven years.

Finmeccanica is in talks with GEC-Marconi to set up joint ventures in defence. It is also negotiating to take a stake in Airbus, the European aircraft alliance being turned into a corporation.

Finmeccanica's move poses a delicate issue of recapitalisation for IRI, the state holding company which has a 62 per cent stake.

The company ended 1996 with net debt greater than net assets. Debts were up at L5,133bn from L4,878bn in 1995, while net assets which dropped from L5,061bn to L4,447bn.

IRI would find it hard to provide a direct capital injection. This has encouraged Finmeccanica to explore the idea of persuading the government to transfer to it its 35 per cent state holding in SGS-Thomson, the valuable Franco-Italian microelectronics group.

France and Italy jointly hold 69.4 per cent of SGS-Thomson shares, with 30.8 per cent on the international market. The Italian stake is held by Mei, a state-owned company of which IRI owns 49 per cent. Based on stock market share capitalisation, the Italian share of SGS-Thomson is worth about L5,500bn.

Finmeccanica's managers believe acquiring this stake would not only replenish its assets but would provide important synergy. Finmeccanica already controls the Italian side of the management of SGS-Thomson.

The treasury, which will have the final say, has yet to be convinced this is the best solution. It may still insist Finmeccanica should dip into its reserves and accelerate asset sales, which totalled L1,200bn last year.

This approach would break up the Finmeccanica group, which it has so far successfully resisted.

Sales were L13,883bn, up from L12,884bn. New orders amounted to L14,208bn with total orders at L28,226bn.

CFF seeks FFr2.5bn injection

By Andrew Jack in Paris

Crédit Foncier de France, the troubled mortgage lender taken over by the French state last year, needs to find an outside investor willing to inject FFr2bn-FFr2.5bn ($354m-$443m) in order to survive.

Mr Jérôme Meyssonnier said that Deutsche Morgan Grenfell, the investment bank, had been appointed to help find a partner to take a stake in Crédit Foncier and develop business projects with it to ensure its future.

The hunt for a new shareholder has become imperative since Crédit Immobilier de France, a rival French mutual mortgage lending company, last month withdrew its offer to take over some of Crédit Foncier's loan portfolio and staff.

The search will not prove easy, given that Crédit Foncier hunted in vain to find a partner last year.

The government was obliged to launch an unprecedented takeover of a public quoted company to ensure its survival. Mr Meyssonnier has stressed that the Treasury would be working "hand in hand" with Crédit Foncier and Deutsche Morgan Grenfell to find a candidate.

His comments came as he unveiled a return to the black, with a net profit for 1996 of FFr858m. Heavy provisions had dragged it into losses of FFr10.8bn in 1995 and wiped out most of its capital, bringing it below acceptable solvency margins.

Mr Meyssonnier said that a combination of a capital injection and a reclassification of the unrealised capital gains of Crédit Foncier could increase its Cooke solvency ratio from 3 per cent to 8 per cent, above the acceptable regulatory minimum.

Other financial support has come from selling some of the bank's assets, including a series of apartment hotels to Whitehall, the US property fund, in the past few days.

It has set itself a target of FFr10bn in new unsubsidised housing loans for 1997.

Mr Meyssonnier said the bank could survive into 1998 without raising capital on the financial markets.

It had reimbursed a line of credit of FFr20bn which the state-controlled Caisse des Dépôts provided at the start of last year as the crisis worsened.

Jérôme Meyssonnier: announced a return to profit for 1996

Lufthansa confident of recovery

By Andrew Fisher in Frankfurt

Lufthansa, the German national airline, expects profits to rise to 1995 levels this year after a drop of around 10 per cent in the pre-tax result for 1996.

Mr Jürgen Weber, chairman, said: "Our aim is to reach the 1995 level. We are confident of achieving that."

The airline's main problems in 1996 were higher fuel prices, which cost it an extra DM320m ($191m), and weak passenger demand in the domestic market.

Lufthansa has not yet announced detailed figures for last year, but has said they would be down by about 10 per cent, with revenues 5 per cent higher at nearly DM21bn.

In 1995, pre-tax profits were DM756m, a rise of 3 per cent.

Last summer the airline forecast it could match 1995 profits, but in November changed its view.

Mr Weber said that although productivity at Lufthansa had risen some 50 per cent in the six years since he became chairman, more needed to be done.

This was especially the case with prices expected to come under pressure from today's full liberalisation of European air traffic.

The cost-cutting and efficiency programme has identified annual savings of more than DM800m which Lufthansa is implementing. The goal is to reach savings of at least DM1.5bn by 2000. "I'm certain we shall do this," Mr Weber said.

He saw exciting prospects in the Asia-Pacific market, which he said was the biggest growth area in world airline traffic. Lufthansa was holding "promising talks" on developing alliances in Asia.

He declined to give details but said China and India were countries where it wanted to expand business.

Speculation about alliance partners has included Cathay Pacific and All Nippon Airways.

Mr Weber said Asia-Pacific routes now made up about 20 per cent of Lufthansa's business.

But this would rise to 30 per cent in a few years.

Jürgen Weber, This Week

INTERNATIONAL NEWS DIGEST

Cir back in profit after Valeo sale

Cir, the industrial holding controlled by Italy's De Benedetti family, marked a sharp swing to a L320bn ($191m) net profit in 1996 from the previous year's L288bn loss. The improvement was also reflected in Cofide, the family-controlled financial holding, whose profit stood at L17.6bn against a 1995 loss of L377bn.

The results were in line with analysts expectations. The turnround followed the sale last year of a stake in Valeo, the French-based car components group, releasing L1,200bn. This enabled the debt structure to be eased, with Cir's net financial position moving from a negative L1,601bn to a L492bn surplus; and that of Cofide from a negative L1,598bn to a L471bn surplus. Cir's turnover was up 4.3 per cent to L3,795bn from L3,639bn.

The improved financial position also offset the impact of losses from Olivetti, the information technology and telephony group formerly headed by Mr Carlo De Benedetti. The Olivetti stake involved a further write-down of L230bn. During the year Cir's holding in Olivetti fell to 8 per cent from 15 per cent and is expected to drop further to around 5 per cent. *Robert Graham, Rome*

France to cut Bull stake

The French state is to sell a further 19m shares in Groupe Bull, the French computer company, cutting its stake to a level similar to the 17 per cent holdings owned by the group's three large industrial shareholders: France Telecom, Japan's NEC and US-based Motorola.

Based on the current share price, it would raise about FFr1bn. The move will result in a substantial increase in the proportion of the company's shares that are publicly traded from just 3.4 per cent at present. The group last month reported its second consecutive annual profit, after accumulated losses of FFr22bn ($3.9bn) between 1989 and 1994. *David Owen, Paris*

Koor plans Yankee bond

Koor Industries, Israel's biggest industrial conglomerate, plans a $200m Yankee bond offering this year. It will use the proceeds to expand its operations as part of a strategic plan to raise revenues to $5bn by the end of the decade.

Last week Koor reported net income up 8 per cent to $180.8m in 1996, on a 2 per cent increase in revenues from $3.47bn to $3.53bn. Earnings per American Depositary Share remained unchanged at $2.89. Analysts said Koor's telecommunications and agrochemicals arms had performed well but its building materials operations suffered. *Avi Machlis, Jerusalem*

Bank Leumi earnings up 24%

Bank Leumi, Israel's second largest bank, lifted net profits by 24 per cent in 1996 as a result of restructuring. Net profits rose from Shk453.5m in 1995 to Shk564m ($168m), in spite of a one-off expense of Shk187m for a voluntary retirement programme, which helped the bank reduce its workforce by 3 per cent. Without the expense, net income jumped 47 per cent to Shk667m. Provisions for doubtful debts dropped sharply, by 36 per cent from Shk959m to Shk611m. The State of Israel holds an 82 per cent stake in the bank, and plans to offer 10 per cent on the Tel Aviv Stock Exchange this quarter. *Avi Machlis*

Bata India in the black

Further restructuring at Bata India, the country's largest manufacturer of shoes, has helped it climb back into the black. The company, 51 per cent owned by Bata Shoe Organisation of Canada, reported net profits of Rs41.5m ($1.16m) in 1996 compared with a loss of Rs421.6m the previous year. Sales were up 11 per cent to Rs5.9bn, but expenditures, at Rs5.59bn, were held at the previous year's level.

A range of measures aimed at reducing costs and improving productivity at its six factories produced strong dividends. According to the company, a shift in its marketing focus from high value shoes to medium and low-priced products, and the introduction of several "new products at popular prices" enabled it to win back a large number of its old customers. *Kunal Bose, Calcutta*

US COMMODITIES PRICES

BASE METALS

■ HIGH GRADE COPPER (COMEX)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	113.80	+1.05	114.05	112.75	482	4,396
May	112.80	+0.85	113.20	111.30	4,759	23,231
Jun	110.80	+0.65	118.80	110.40	71	1,274
Jul	108.90	+0.60	109.40	107.75	556	9,387
Aug	107.50	+0.60	107.50	107.40	18	703
Sep	106.00	+0.50	106.00	105.30	64	3,954
Total					17,846	54,341

PRECIOUS METALS

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Latest price	Day's change	High	low	Vol	Open int
Apr	348.4	-1.8	352.4	348.1	10,903	7,545
May	351.2	-	-	-	2	-
Jun	351.3	-1.2	356.8	351.8	34,523	65,554
Aug	354.8	-0.2	356.2	353.8	422	13,228
Oct	357.6	-	-	-	304	5,652
Dec	359.5	-0.9	361.7	359.5	463	21,887
Total					46,927	158,339

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	369.8	-4.6	375.0	367.8	4,332	3,464
Jul	372.5	-4.3	376.8	370.5	3,977	10,458
Oct	375.5	-3.7	379.2	374.0	83	2,032
Jan	381.4	-	-	-	8	1,147
Total					8,400	17,108

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Jun	147.00	-1.20	147.50	146.25	1,342	7,937
Sep	148.20	-	148.20	148.20	928	1,764
Dec	153.50	-	-	-	-	190
Total					2,270	9,881

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

May	509.5	-11.2	517.0	503.0	18,074	83,176
Jul	508.5	-11.3	522.5	507.0	998	18,395
Sep	514.8	-10.8	527.5	513.5	8	3,350
Dec	522.8	-10.6	535.8	521.0	9	5,203
Jan	527.0	-8.6	527.0	527.0	-	13
Mar	533.8	-7.9	535.8	533.0	50	5,363
Total					11,194	89,223

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	20.75	+0.05	20.88	20.85	44,969	90,245
Jun	20.75	+0.06	20.68	20.63	16,755	61,571
Jul	20.69	+0.06	20.78	20.61	8,188	29,556
Aug	20.65	+0.07	20.67	20.62	5,156	22,292
Sep	20.62	+0.07	20.68	20.55	1,566	13,918
Oct	20.56	+0.04	20.62	20.50	1,107	14,048
Total					81,763	385,581

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	56.70	+0.63	56.80	56.00	13,526	8,944
May	55.05	+0.02	55.50	54.75	12,357	94,960
Jun	54.90	-0.13	55.45	54.70	4,834	16,932
Jul	55.40	+0.02	55.70	55.15	1,769	14,741
Aug	56.00	+0.02	56.40	55.65	504	8,742
Sep	56.85	+0.17	57.18	56.85	261	5,106
Total					34,999	122,787

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
May	1.895	-0.033	1.950	1.890	9,281	30,773
Jun	1.950	-0.010	1.980	1.945	2,312	15,501
Jul	1.950	-0.018	1.990	1.955	1,062	12,485
Aug	1.975	-0.007	2.000	1.970	685	8,708
Sep	1.960	-0.018	2.005	1.975	388	9,866
Oct	2.020	-0.008	2.040	2.018	191	10,880
Total					16,692	158,847

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	64.30	-0.33	64.80	64.00	16,546	8,401
May	64.15	-0.05	64.55	63.80	26,570	42,717
Jun	63.50	-0.15	63.90	63.35	6,655	21,243
Jul	62.80	+0.02	63.10	62.70	845	10,006
Aug	61.65	+0.07	61.70	61.60	909	5,317
Sep	60.30	+0.17	60.50	60.30	704	2,670
Total					52,626	95,798

GRAINS AND OIL SEEDS

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Latest price	Day's change	High	Low	Vol	Open int
May	405.00	+3.25	406.00	399.50	3,898	28,883
Jul	401.50	+3.00	405.00	395.50	11,156	42,325
Sep	403.00	+3.50	407.00	397.00	1,360	6,713
Dec	412.00	+2.75	415.00	406.50	755	6,573
Mar	410.00	+3.00	410.00	408.00	18	108
Jul	372.00	-	-	-	-	182
Total					17,179	82,791

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

May	309.50	+1.25	311.00	304.50	29,722	142,224
Jul	309.75	+1.00	311.50	305.00	17,465	111,290
Sep	294.00	-4.50	296.00	290.75	2,412	18,438
Dec	290.00	-6.50	297.50	287.50	8,162	88,836
Mar	294.00	-6.75	300.50	292.00	844	9,053
May	297.50	-5.50	297.50	298.00	63	382
Total					58,910	375,310

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

May	856.00	+1.00	868.00	846.00	29,984	73,385
Jul	857.50	-0.50	870.00	848.00	12,820	59,727
Aug	833.50	-2.50	846.50	828.00	1,343	8,757
Sep	753.50	-9.50	779.00	747.00	821	5,527
Nov	694.50	-19.50	725.75	692.00	6,592	35,129
Jan	701.00	-18.50	721.25	700.00	102	2,015
Total					81,709	185,504

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

May	23.97	-0.45	24.70	23.93	10,017	39,293
Jul	24.39	-0.47	25.34	24.32	4,708	30,223
Aug	24.56	-0.46	24.00	24.00	1,161	6,601
Sep	24.66	-0.57	25.05	24.65	632	3,868
Oct	24.75	-0.63	25.10	24.73	258	3,818
Dec	25.05	-0.47	25.31	24.95	1,129	11,300
Total					17,915	95,837

■ SOYABEAN MEAL CBT (100 tons; $/ton)

May	283.0	+0.3	287.5	279.5	11,683	46,031
Jul	279.8	+0.3	284.1	276.0	7,669	28,679
Aug	268.0	-1.2	270.0	266.0	1,113	8,624
Sep	250.0	-1.7	259.9	249.0	824	6,199
Oct	226.0	-4.7	228.0	224.0	1,398	4,852
Dec	218.8	-5.5	220.5	216.5	2,037	8,768
Total					24,768	105,999

SOFTS

■ COCOA CSCE (10 tonnes; $/tonnes)

	Latest price	Day's change	High	Low	Vol	Open int
May	1449	-1	1460	1445	4,361	31,046
Jul	1477	-2	1489	1473	1,291	22,952
Sep	1498	-	1503	1492	405	11,908
Dec	1521	+5	1522	1518	580	9,466
Mar	1555	+11	-	-	332	19,017
May	1560	-2	-	-	126	6,957
Total					6,697	102,474

■ COCOA (ICCO) (SDR's/tonne)

Mar 28	Price	Prev. day
Daily	1152.37	1132.86

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

May	161.50	+1.70	193.50	187.80	7,531	18,064
Jul	174.75	+2.20	176.00	172.00	3,360	8,889
Sep	161.75	+1.75	163.00	160.00	1,240	6,407
Dec	147.00	+1.00	150.00	146.00	524	3,583
Mar	136.00	-	139.50	136.00	205	1,045
May	133.00	+3.00	133.00	133.00	16	226
Total					12,907	38,330

■ COFFEE (ICO) (US cents/pound)

Mar 28	Price	Prev. day
Comp. daily	137.06	131.78
15 day average	136.27	136.96

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

May	10.81	-	10.87	10.80	5,590	56,654
Jul	10.59	-0.01	10.63	10.58	1,706	35,540
Oct	10.48	-0.03	10.53	10.48	1,581	28,151
Mar	19.50	-0.01	10.53	10.49	694	14,766
May	10.49	-0.02	-	-	47	2,150
Jul	10.50	-0.01	10.50	10.50	36	1,451
Total					9,671	142,882

■ COTTON NYCE (50,000lbs; cents/lbs)

May	71.46	-1.37	72.25	71.40	2,750	34,190
Jul	73.06	-1.35	73.90	73.05	1,283	16,611
Oct	75.00	-0.85	75.45	74.90	100	1,838
Dec	75.45	-0.99	75.85	75.40	614	21,464
Mar	76.50	-0.90	76.85	76.50	115	2,230
May	77.00	-0.93	77.00	77.00	22	525
Total					8,276	77,827

Softs continued

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

May	77.65	-1.00	78.00	76.00	3,366	14,148
Jul	79.75	-1.70	80.00	78.50	1,088	6,621
Sep	81.08	-2.05	82.50	81.50	178	4,042
Nov	85.00	-1.65	85.00	83.00	81	1,773
Jan	86.00	-2.35	86.00	86.00	25	695
Mar	89.00	-1.35	89.00	88.50	8	396
Total					4,476	27,676

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Latest Price	Day's change	High	Low	Vol	Open int
Apr	68.300	+0.350	68.750	68.050	5,463	28,089
Jun	64.800	+0.625	64.800	64.150	3,319	29,462
Aug	63.875	+0.225	64.050	63.675	1,436	22,379
Oct	67.650	+0.375	67.850	67.300	862	15,197
Dec	69.850	+0.225	69.850	69.450	163	7,524
Feb	70.600	+0.100	70.800	70.450	114	3,449
Total					11,428	108,740

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Apr	72.300	-0.175	73.075	71.750	2,438	6,892
Jun	81.625	+0.600	82.450	81.200	3,232	13,093
Jul	80.975	+1.275	81.575	80.500	1,028	3,141
Aug	78.650	+1.950	78.700	78.000	1,047	2,889
Oct	71.850	+2.000	71.850	71.200	761	2,109
Dec	69.700	+1.975	69.725	68.900	247	1,418
Total					8,925	39,321

■ PORK BELLIES CME (40,000lbs; cents/lbs)

May	77.460	+2.325	78.125	78.000	1,012	4,013
Jul	76.850	+2.150	77.500	75.400	510	2,087
Aug	74.800	+2.025	75.250	73.500	160	499
Feb	70.200	+1.375	70.200	-	38	100
Mar	69.000	+0.900	69.000	-	1	8
Total					1,718	6,671

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Richard Lapper

Return of the tightening cycle

The US Federal Reserve triggered a rout in global bond markets when it last began to tighten monetary policy nearly *three years ago – so* international investors have been understandably preoccupied about the impact of last week's long-expected increase in the Fed funds rate, the key US short-term interest rate.

The quarter of a percentage point rise in the centrally targeted federal funds rate, to 5.5 per cent, signals an end to a 20-month period of *monetary easing* in which short rates have fallen by three quarters of a percentage point.

The reaction in international bond markets so far has been relatively mild, underlining the fact that the circumstances are very different to those of 1994. For a start, the Fed funds rate was already at a much higher level than in February 1994. *As a result there is simply* less scope for monetary policy to be tightened.

In addition, yields at the short end of the US debt market are more attractive internationally than they were in 1994. In January 1994, three-month money market rates were 2.9 per cent below German rates, while they are now about 2.7 per cent above German rates.

In addition, there is also less leverage in the markets today than there was three years ago. During 1993 and 1994 many investors had taken advantage of low short-term rates in the US to gear up their exposure to the rising international bond markets. Many had also used derivatives to obtain even more leverage and the unwinding of these positions during 1994 increased the scale of the sell-off.

By contrast, since the bond market sell-off and derivatives disasters of 1994 and 1995 investors have generally been more cautious. Although some hedge funds and other speculators have borrowed in short term money markets to invest in higher-yielding paper of a longer maturity, many of these borrowings have been made in Tokyo, where there appears to be no immediate danger of an increase in rates.

Recent research by Tass Management, a London-based information company, points to sharp growth in popularity among hedge funds of so-called "market neutral" or "non-directional" *strategies*, where managers take advantage of shifts in the relative values of different assets or instruments rather than taking bets on strong one-way moves in markets.

The amount of money committed to these strategies still amounts to less than 10 per cent of the estimated $120bn currently committed in hedge funds, but it has grown by about 69 per cent since January 1996 to approximately $9.75bn.

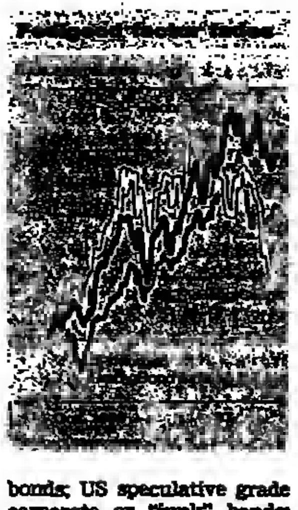
Moreover, markets already appear to have adjusted their expectations in the last few months. In the bond markets, many have already begun to sell longer-dated bonds and buy shorter-dated paper which responds in less volatile fashion to interest rate shifts. The yield on the 30-year Treasury bonds rose from about 6.5 per cent to 7.1 per cent early yesterday, while over the past month yields on German 10-year bonds, the benchmark for European markets, have risen by nearly half a percentage point.

More specialised markets which presented investors with some of their best returns in 1996 have also eased in recent weeks (see graph). Mr Ali Naqvi, a fund manager with Citibank Global Asset Management in New York, points to five such "feelgood" markets: Latin American Brady bonds and other emerging market bonds; US speculative grade corporate or "junk" bonds; Italian government bonds; Hong Kong stocks; and shares in US technology companies.

But if a repeat of 1994 is unlikely, bond prices at least could still have some way to fall. In research published this week, Mr Neil MacKinnon and Mr Michael Burke, economists at Citibank in London, argue that real US interest rates may be higher than they were three years ago but at a level of 2.5 per cent they are fractionally lower than the average level of 2.6 per cent during the period since 1965.

Last week's rate increase is therefore unlikely to be a "one-off event", indicating that a phase or cycle of resumed interest rate tightening has begun. Historically US Treasuries have responded poorly to such "resumed tightening cycles". The most recent of these cycles – each of which followed a "mini-easing cycle" such as the one we have just witnessed – began in September 1958, November 1967, December 1968 and September 1980 and was followed by an average increase in 10-year Treasury yields of 117 basis points over the course of the subsequent year.

Feelgood factor index



Total return in local currency to 28/03/97

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.11	0.01	0.07	0.08	0.14	0.12
Month	8.45	0.04	0.27	0.28	0.61	0.51
Year	5.83	0.91	3.44	4.53	9.83	6.38
Bonds 3-5 year						
Week	-0.22	-0.06	0.24	0.27	0.30	-0.06
Month	-1.15	0.13	-0.69	-0.73	-1.75	-1.05
Year	4.31	5.88	7.31	9.28	18.11	7.92
Bonds 7-10 year						
Week	-0.21	-0.10	0.32	0.29	0.69	0.01
Month	-2.07	1.04	-1.73	-1.82	-3.80	-1.98
Year	3.28	10.34	10.64	12.79	27.22	10.98
Equities						
Week	0.7	1.2	2.9	1.9	2.3	-0.8
Month	-1.9	-0.9	5.4	1.7	-1.2	-0.6
Year	23.1	-11.0	37.1	35.6	34.1	20.5

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

ING results may reach Fl 3.24bn for year

ING Group, the Dutch banking group, is expected to report on Thursday net profit for 1996 of Fl 3.172bn-Fl 3.24bn ($6.36bn), up from Fl 2.649bn, according to analysts' forecasts.

Earnings per share, after deduction of Fl 46m in preferential dividends, are seen up at Fl 4.35-Fl 4.45 from Fl 3.84, adjusted for the group's 5-for-2 share split last year.

The group is expected to raise its full-year dividend to Fl 1.88-Fl 1.98, from Fl 1.66, analysts said.

In November, ING reported net profit for the first nine months of 1996 up 24.1 per cent at Fl 2.337bn, with earnings per share up 17.5 per cent at Fl 3.23.

Nine-month pre-tax profit from banking rose 27 per cent to Fl 1.621bn while pre-tax insurance profit rose 16 per cent to Fl 1.72bn.

Mr Bart van der Feen de Lille, IRIS analyst, is looking for net profit of Fl 3.24bn, with earnings per share at Fl 4.45 and the 1996 dividend at Fl 1.93. He expects banking pre-tax profit to rise 25 per cent on the back of strong proprietary trading results and commission income stemming from favourable 1996 financial market conditions.

Mr van der Feen expects insurance earnings growth to be driven by a 17 per cent rise in life earnings, 15 per cent growth from non-life and a 16 per cent increase in investment income.

He estimates ING's hidden reserves, which are due to be revealed in the 1996 figures, at about Fl 3bn.

Ms Margot van der Velden, ABN Amro analyst, who is forecasting 1996 net profit of Fl 3.172bn with earnings per share of Fl 4.35 and a dividend of Fl 1.88, estimates the *hidden reserves* at Fl 2.8bn.

She noted that ING said at a recent analyst presentation that it would place half of the hidden reserves in a new fund for banking risks and the remainder in general capital reserves.

Ms van der Velden is looking for 1996 pre-tax banking profit up 23 per cent at Fl 2.151bn, with interest income up 11 per cent at Fl 6.96bn, commission income up 33 per cent at Fl 1.624bn and other income up 16 per cent at Fl 1.759bn, putting total banking income up 16 per cent at Fl 11.344bn.

She sees 1996 banking operating expenses rising 16 per cent to Fl 8.043bn and a 6 per cent increase in allocations to risk provisioning to Fl 1.15bn.

While market conditions remain favourable for ING, she said banking profit growth in the 1996 fourth quarter would be weaker than in the first nine months, when trading results advanced almost 53 per cent and net interest income rose by more than 13 per cent. Continued margin pressure, especially in the non-Dutch business, should be offset by higher lending volumes, she said.

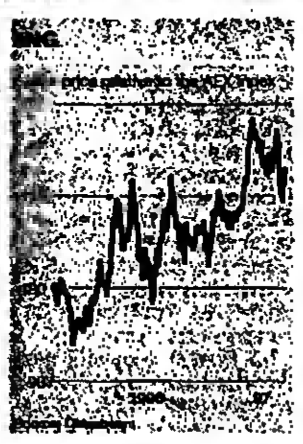
Noting that ING no longer quantifies the impact from Barings on group results, Ms van der Velden said: "We believe Barings will have just covered its financing costs, which are included in interest income."

Mr van der Feen of IRIS agreed, and said: "Barings should have earned back its *interest costs. That didn't* happen in 1995."

He is looking for a 15 per cent increase in ING's pre-tax profit from insurance business to Fl 2.43bn, with life earnings up 12 per cent at Fl 1.234bn, non-life profit up 21 per cent at Fl 409m and general insurance results up 18 per cent at Fl 787m.

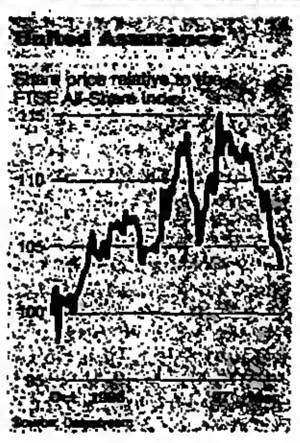
Mr Andreas de Groot of Mees Pierson is expecting net profit of Fl 3.2bn.

ING



United Assurance

Share price relative to the FTSE All-Share Index



■ **Johnston Press**, the Scottish newspaper group, is forecast to report substantially higher pre-tax profits tomorrow, up from £16.8m to £23m ($38m), for the year to January 31 after last year's £211m acquisition of Emap regional newspapers. Earnings per share are expected to rise to 9.7p, up from 8.4p, a slower rate of growth because of the 1-for-2 rights issue last June, priced at 169p. Analysts do not expect *any further acquisitions* in the same league as the Emap deal but Johnston may well have its eyes on bolt-ons.

■ **Hewden Stuart**, the Scottish plant hire group, is expected tomorrow to report a fall in 1996 pre-tax profits, from £36.3m to £29.5m, reflecting the slowdown in construction activity. Earnings per share are likely to fall from 9.04p to 7.2p. The group described business in the second half of last year as "less discouraging".

■ **United Assurance**, the UK life company born of last October's £1.46bn merger between United Friendly and Refuge, is expected on Thursday to report operating profits of about £125m, up from £91.5m. Earnings per share are set to rise from 15.8p to 24.5p and the dividend is expected to be 18p, up from 13.4p. United, based in *Wilmslow, Cheshire, has* already signalled that it will take up to two years to fully integrate the two businesses from which it has sprung, but analysts will be looking for more news about the progress of that merger.

■ **Laird Group**, the UK automotive components and engineering company, is expected to report on Thursday modestly increased pre-tax profits of £68m (£66.1m). The group is understood to have been constrained by pricing pressure in Europe, but most analysts have pencilled in a total dividend of 13p (12p) for the year.

Schism renews stability search

The spectre of political uncertainty has again thrown the Indian stock market into familiar turmoil.

Just when investor sentiment had begun to improve in the wake of a bold tax-cutting budget by the United Front national government in late March, the coalition has been brought close to collapse by the surprise weekend withdrawal of support by the Congress Party.

The tumult triggered one of the largest one-day falls on the Indian stock market. The BSE 30 Index fell 299 points, or 8.1 per cent, to 3363.90 although it had been down 344 points earlier.

Brokers said the fall reflected the degree of shock over the Congress move. "It was totally unexpected," said Mr Alok Sethi, director at brokers NatWest Markets.

Although the United Front coalition of regional and leftist parties had not been expected to survive its full term when it came to power 10 months ago, it had been showing signs of increasing stability under HD Deve Gowda, the prime minister.

While the coalition only had a minority in parliament, it had been supported by Congress. This relationship had been fractious but the general consensus was that Congress was in a weak position to form its own government, following a decline in its electoral popularity after a series of corruption scandals.

For the Indian stock market, new political upheavals were the last thing needed, coming when prospects for equities were brightening *after a dismal performance* in 1996.

Brokers said the budget eased concerns that political uncertainty may slow down the liberalisation of the economy started in the early 1990s. This focused attention on a strong 25-30 per cent forecast growth in corporate earnings for the year to next March and a pick-up in economic activity.

The new mood towards India was highlighted by last *week's heavy oversubscription* of a $448m global depository issue by Videsh Sanchar Nigam, the international telecoms company. The issue attracted gross commitments of about $5bn.

VSNL's merchant bankers will now be grateful Congress did not act earlier. Brokers said many foreign investors would now adopt a wait-and-see approach to assess the impact of the political developments. "The euphoria that followed the budget is now gone," one said.

Brokers said the extent of further falls in the market would depend on how long the uncertainty persisted. If no political group could form a workable coalition, then uncertainty could last for several months until fresh elections were held.

If either the United Front or Congress form a new coalition, much will depend on its strength. Also critical is *whether any new government* will adopt measures in the March budget, such as its swingeing cuts in corporate and personal tax rates.

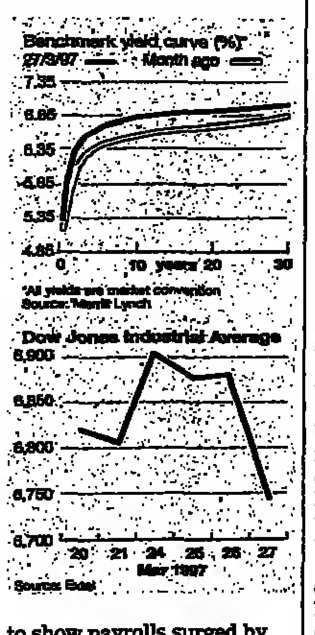
However, Mr Rajashekar Iyer, head of research at brokers Kotak Securities, said after the initial reaction that further market falls were likely to be limited to about 100 to 150 points.

He said if elections were held, the main opposition party, the pro-reform Bharatiya Janata Party, was likely to gain a majority. This would be *positive for* the market.

Mr Iyer also said it was possible a stronger coalition government could emerge between members of Congress and the United Front. "A more stable government could actually emerge from the current instability," he said.

MARKETS: This Week

NEW YORK By Richard Tomkins



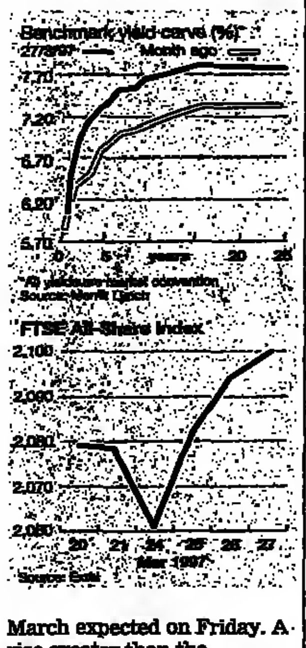
US markets reopened after the Easter break yesterday with e bad case of the jitters, and the nervousness looked set to persist for the rest of the week amid uncertainties over the outlook for interest rates and the quarterly earnings season ebout to open.

Last week's 0.25 per cent increase in interest rates – the first in two years – initially left investors *divided between those* who thought the rise would be enough to stifle the threat of inflation and those who thought it would be ths first in a series. Subsequent economic data brought a swing in sentiment toward the latter view, leading to a tumble in shares and a fall in bond prices that pushed the yield on the long bond above the 7 per cent level.

Attention will now be focused on business activity in Marcb in the hope of picking up clues to the timing of the next interest rate increase. In thet context, the two most important reports this week will be today's publication of the National Association of Purchasing Management's *index for March, with* analysts expecting an increase from the previous month's 53.1 to 53.6, and Friday's employment report for March, which is expected to show payrolls surged by another 193,000 workers.

In the case of stocks, the other main influence on prices will be the outlook for earnings, with most US companies about to report for the quarter to end-March. So far, profit warnings have been few, but it is usual for the markets to become edgy *in the run-up to the reports* and higher interest rates, with their implied threat to corporate profitability, have only increased the sense of nervousness.

LONDON By Steve Thompson



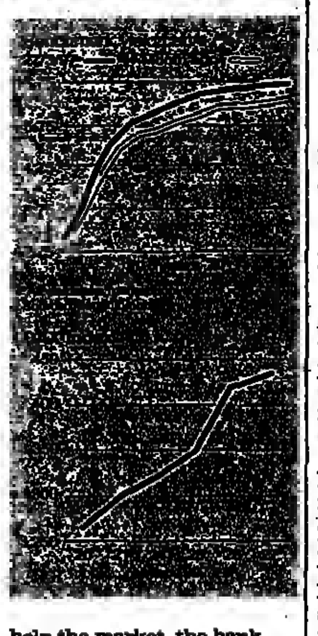
Any hopes that London's equity markst might build further on last week's strong recovery, which saw the FTSE 100 recoup 98 points in three sessions, were given a severe jolt late on Friday when Wall Street went into a tail-spin.

The Dow Jones Industrial Average was down 217 points before stabilising and closing with a 140 point loss. The wholesale retreat by US stocks was triggered by a big sell-off in US Treasuries, where the yield on the 30-year bond moved firmly back above the 7 per cent *mark amid continuing* concern thet the Federal Reserve's move to hoist US interest rates might be the first of a series.

With London's gilts and equity markets closed on Monday and Wall Street open for business as usual, City traders will be looking anxiously at their television screens for signs of another sell-off. Some strategists forecast e retreat towards 4,000 on the FTSE 100 in the short term, with turbulence increased by the looming general election.

This week brings a long *list of economic pointers* from both sides of the Atlantic. The key data as far as global markets are concerned come with the US non-farm payroll report for March expected on Friday. A rise greater than the expected 200,000-plus new jobs will certainly add to the worries of those fearing more US rate rises. Tuesday brings the UK Purchasing Managers' Index for March, expected to show strong domestic demand.

Newcastle United, the soccer club, makes its long-awaited market debut on Wednesday with the shares, floated at 135p apiece, expected to get off to a roaring start.



The *German stock market* was unfazed by last week's quick agreement between Krupp Hoesch and Thyssen to merge their steel interests. Excitement at the thought of hostile takeovers gaining ground in Germany was replaced by the realisation that this could still take time.

But while Krupp abandoned its plans for a full-scale takeover of its bigger steel and engineering rival, there was plenty of excitement in other areas. Bank shares rose as talk of possible restructuring within the sector resumed, although on the basis of little evidence. Motor vehicle shares were also firm after strong figures from BMW and a better than expected recovery by Daimler-Benz.

However, the market suffered a bout of pre-Easter nerves on Thursday. Although the DAX blue chip index again rose above the 3,400 level, it dipped late in the day as Wall Street reacted unfavourably to strong economic data after Tuesday's rise in interest rates by the Federal Reserve.

German stocks are likely to be buffeted if Wall Street anxieties persist, with Commerzbank warning of rising volatility. While the economic pick-up and better corporate earnings would help the market, the bank saw pressures from foreign exchange and interest rate trends.

At this stage, however, economists generally expect the Bundesbank to keep interest rates on hold. Only a further weakening of the D-Mark might prompt it to tighten later. This week's production and new order figures for February could show signs of accelerating economic recovery but inflation remains low and wage trends are moderate.

Markets will be volatile this week with much to digest, beginning yesterday with the end of the business year and corporate book-closings. *Investors who bought stocks* to take dividends before the year-end are likely to sell some excess holdings, while those who sold to shore up profits for book-closing may resume buying.

Yesterday evening, the government announced measures to revive the property market. Provisions enabling banks and financial institutiens to securitise real estate collateral could help clear the mountain of bad loans burdening the finance industry. But the announcement is unlikely to have a significant impact on the markets, as investors have been hearing reports about the likely contents of the plan since mid-March.

Financial, real estate and construction stocks benefited from earlier speculation about the plan, and their share prices could slide if investors were disappointed with the new measures, analysts say.

Today, the long-scheduled increase in sales tax from 3 per cent to 5 per cent takes place. Again, markets have factored in earlier reports about the impact on consumer spending.

Wednesday's release of the Bank of Japan's quarterly "tankan" survey of business *sentiment is expected to* show e modest improvement in economic conditions.

Projections for sales, profits and capital investment will probably show slight improvements, but initial investment spending plans for the new business year will most likely be weak. Economists do not expect the results to lead the Bank of Japan to change its easy monetary *policy for the time being.*

COMMODITIES By Susanna Voyle

Nigerian protests boost oil

Oil traders will be watching to see whether the latest round of unrest in Nigeria's Rivers State shows any sign of spreading further this week.

The closure of a number of processing stations operated by the Nigerian subsidiary of Royal Dutch/Shell last week reduced the country's output by 210,000 barrels e day, or about 10 per cent.

A continuation of the production shutdown over the holiday weekend would probably result in exports from the Bonny terminal being cut back.

A senior official et Nigeria National Petroleum said that Shell could declare *force majeure* of early April cargoes if the unrest continued.

On Tuesday Sbell said that 31 of its local staff and contractors, held by feuding communities in Nigeria, had been freed.

The company said thet 96 staff and contractors, all Nigerians, were still being held at Shell's six flow stations occupied since last weekend by villagers protesting over relocation of their local government headquarters.

The dispute has also hit Chevron, the US company.

World oil prices were at first unmoved by the news.

However, in late trading on London's International Petroleum Exchange on Thursday – the last day of trading before the Easter weekend – the uncertainty of the *Nigerian situation* buoyed prices.

Traders said the fears of political unrest helped the IPE Brent contract for May – the international benchmark for crude oil prices – to resist earlier pressure downwards from the New York Mercantile Exchange. It settled at $19.38 a barrel on Thursday, nine cents firmer on the day, but seven cents off the high.

Another reason behind Thursday's mini rally was e surge of people closing out their "short" positions – speculative bets that the market would fall – before the four-day Easter weekend holiday. "A lot of people didn't want to go home short," said one broker.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
C & W (UK)/Bell (Canada) /Nynex (US)/Videotron Canada	Merger	Telecoms	$8bn	Prospectus published
ARP (US)/PSC (US)	Yorkshire Elec (UK)	Power	$2.4bn	BoT approves
Tenneco (US)	Units of KNP BT (N'lands)	Packaging	$375m	Doubling Europe sales
Reed Elsevier (UK/N'lands)	MDL Information Systems (US)	Business services	$320m	Buyer seeks bridge
Blue Circle Ind (UK)	St Marys Cement (US)	Cement	$261m	Boosts presence
Cisneros (Venezuela)	Imagen Satelital (Argentina)	Broadcasting	$100m	Accelerating expansion
Ford (US)	Jiangling Motors (China)	Vehicle manufacture	$54.5m	Lifts stake to 30%
Star Mining (Australia)	Sukhoi Log Mining (Russia)	Mining	$50m	Siberian interest

OTHER MARKETS

PARIS

After some big name results last week, a long list of *French companies will open* the second quarter of 1997 in meetings with investment analysts.

Saint Gobain, the building materials and packaging group, kicks off today and, says Ms Anita Hibbert, an analyst at Dillon Read, it is likely to face questions on prospects after Pilkington, the UK glassmaker, said last Tuesday that profits this year would be below market expectations because of falling glass prices and overcapacity, particularly in Germany.

Saint Gobain, however, is unlikely to foresee more than a 10 per cent fall in prices on what is a decreasing proportion of group *sales; Ms Hibbert believes* that all other division of the group are going well.

The Seita group, the manufacturer of Gauloise and *Gitane cigarettes, hit trouble* recently when the Liggett Group of the US admitted thet smoking was addictive.

Seita has also had to cope with the Rothmans introduction of the Winfield brand and an ensuing price war.

The French company has plenty of assets, and liquidity; one question for it to answer on Wednesday is how it will use these to the benefit of shareholders.

ZURICH

Nestlés 1996 results last week, following a string of disappointments from the likes of Roche and SMH, were the first from an SMI *index constituent to give the* market e positive surprise.

This week brings a string of press conferences and analysts' meetings, beginning today with Lindt & Sprungli, the upmarket chocolate group which is a particular favourite among British investors.

The shares rocketed in the wake of last year's analysts' meeting as the market decided to give the new strategy adopted by the chairman and chief executive, Mr Ernst Tanner, the benefit of the doubt. The bearer shares closed last week up by more than 30 per cent on their level a year earlier.

This year, says Mr Frederick Hasslauer et Bank Sal Oppenheim in Zurich, analysts will be wanting to hear about clear earnings targets for the coming year. They are *also keen for details* about Mr Tanner'e expansion plans outside Europe, particularly in North America which currently accounts *for only about* 4 per cent of sales.

HONG KONG

Brokers are forecasting e dull holiday-shortened week for the Hong Kong stock market after last week's events dealt a double blow to the dominant property sector, *writes Louise Lucas.*

Last Wednesday, banks raised interest rates by 25 basis points, following the lead set by the US Federal Reserve, and the government unveiled measures to curb spiralling property prices.

The impact of the measures to tackle speculation and increase land supply *combined with the interest* rate rise to chop 1.9 per cent off equity values last Thursday. The benchmark Hang Seng index closed at 12,534.32.

Property eccounts for around 40 per cent of the index, and the sector had been et the forefront of the latest rally, due to escalating property prices.

Futures finished on Thursday at a steep discount to the cash market, pointing to further selling this week.

However, brokers still see pockets of interest and expect the red chips, or mainland becked counters, to enjoy continued buying. The market's latest red chip, Gitic Enterprises, notched up an impressive debut on Wednesday when its share price increased by more than 300 per cent from the issue price of HK$1.05, to HK$4.375.

CURRENCIES

Analysts divided on Federal Reserve's next move

Like spectators at the start of the *new* baseball season in the US this week, foreign exchange analysts will be wondering if the Federal Reserve has really managed to get "ahead of the curve".

The central bank's decision to raise the Federal funds rate last week, by 25 basis points to 5.5 per cent, has divided enalysts between those who think the move was a one-off measure *to contain "irrational exuberance"*, and those who are predicting the start of a cycle of rate rises.

Both groups will be examining the details of economic data emerging this week for evidence one way or the other.

Today sees the release of the March National Association of Purchasing Management index. Surging growth in durable goods orders *could pump the index to its* highest level for two years.

But the most important US economic release comes on Friday, with the employment report on non-farm payroll figures and average hourly earnings for March.

February's non-farm payroll rise of 339,000, which contributed to the Fed's much-talegraphed decision to put up interest rates, took the monthly average rise to 250,000 for the last five months. Market talk in the US yesterday suggested an increase in payrolls of around 200,000, although some analysts are predicting growth as high as 230,000.

Exuberance in the US may obscure the signs of life emerging in the economies of Germany and Japan.

The currency market awaits the Bank of Japan's *tankan* measure of corporate sentiment tomorrow, which is expected to show an improvement for manufacturers. The yen's recent movements have been hampered by the March 31 end of the Japanese financial year.

In Germany this week, increased export orders for manufacturing in February will show the effect of the D-Mark's 13 per cent fall against the US dollar in the last six months.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Thursday, March 27, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7742.50	4750.00	2831.59	3841.84
Albania	(Lek)	241.240	148.000	88.2265	119.698
Algeria	(Dinar)	92.5084	56.7904	33.8542	45.9302
Andorra	(French Fr)	9.2136	5.6525	3.3697	4.5716
	(Sp Peseta)	231.623	142.100	84.7119	114.926
Angola	(Readj Kwanza)	343115.0	210500.0	125484.4	170245.5
Antigua	(E Carib $)	4.4010	2.7000	1.6095	2.1837
Argentina	(Peso)	1.6297	0.9998	0.5960	0.8086
Armenia	(Dram)	764.503o	469.020	279.595	379.328
Aruba	(Florin)	2.9177	1.7900	1.0671	1.4477
Australia	(Aus $)	2.0843	1.2787	0.7623	1.0342
Austria	(Schilling)	19.2441	11.8062	7.0382	9.5485
Azerbaijan	(Manat)	6640.62o	4074.00	2428.61	3294.92
Azores	(Port Escudo)	275.470	169.000	100.748	136.682
Bahamas	(Bahama $)	1.6300	1	0.5961	0.8088
Bahrain	(Dinar)	0.6145	0.3770	0.2247	0.3049
Balearic Is	(Sp Peseta)	231.623	142.100	84.7119	114.926
Bangladesh	(Taka)	70.4161	43.2000	25.7534	34.9387
Barbados	(Barb $)	3.2784	2.0113	1.1990	1.6267
Belarus	(Rouble)	50024.7o	30690.0	18295.1	24821.1
Belgium	(Belg Fr)	56.4143	34.6100	20.6325	27.9914
Belize	(B $)	3.2600	2.0000	1.1923	1.6175
Benin	(CFA Fr)	921.360	565.250	336.970	457.158
Bermuda	(Bermudian $)	1.6300	1	0.5961	0.8088
Bhutan	(Ngultrum)	58.4763	35.8750	21.3868	29.0145
Bolivia	(Boliviano)	8.5249	5.2300	3.1178	4.2299
Botswana	(Pula)	5.7298	3.5145	2.0954	2.8428
Brazil	(Real)	1.7259	1.0588	0.6312	0.8563
Brunei	(Brunei $)	2.3570	1.4460	0.8620	1.1695
Bulgaria	(Lev)	2603.92	1597.50	952.310	1292.01
Burkina Faso	(CFA Fr)	921.360	565.250	336.970	457.158
Burma	(Kyat)	10.2338	6.2784	3.7427	5.0778
Burundi	(Burundi Fr)	407.701	250.123	149.105	202.291
Cambodia	(Riel)	3749.00	2300.00	1371.09	1860.16
Cameroon	(CFA Fr)	921.360	565.250	336.970	457.156
Canada	(Canadian $)	2.2443	1.3769	0.8206	1.1136
Canary Is	(Sp Peseta)	231.623	142.100	84.7119	114.926
Cp. Verde	(CV Escudo)	142.014	87.1250	51.9374	70.4638
Cayman Is	(CI $)	1.3600	0.8282	0.4937	0.6698
Cent. Afr. Rep	(CFA Fr)	921.360	565.250	336.970	457.156
Chad	(CFA Fr)	921.360	565.250	336.970	457.156
Chile	(Chilean Peso)	675.717	414.550	247.131	335.274
China	(Yuan)	13.5232	8.2964	4.9458	6.7099
Colombia	(Col Peso)	1729.43	1061.00	632.508	858.102
Comoros	(Fr)	693.549	425.490	253.645	344.122
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Ethiopia	(Ethiopian Birr)	10.3847	6.3710	3.7979	5.1927
Falkland Is	(Falk £)	1	0.6135	0.3657	0.4962
Faroe Is	(Danish Krone)	10.4151	6.3896	3.8091	5.1677
Fiji Is	(Fiji $)	2.2888	1.4040	0.8370	1.1355
Finland	(Markka)	8.1174	4.9800	2.9688	4.0277
France	(Fr)	9.2136	5.6525	3.3697	4.5716
Fr. Cty/Africa	(CFA Fr)	921.360	565.250	336.970	457.156
Fr. Guiana	(Local Fr)	9.2136	5.6525	3.3697	4.5716
Fr. Pacific Is	(CFP Fr)	168.133	103.149	61.4897	83.4235
Gabon	(CFA Fr)	921.360	565.250	336.970	457.158
Gambia	(Dalasi)	16.3000	10.0000	5.9613	8.0877
Germany	(D-Mark)	2.7343	1.6775	1	1.3567
Ghana	(Cedi)	3068.85	1895.00	1129.68	1532.61
Gibraltar	(Gib £)	1	0.6135	0.3657	0.4962

		£ STG	US $	D-MARK	YEN (X 100)
Greece	(Drachma)	492.309	265.220	158.109	214.501
Greenland	(Danish Krone)	10.4151	6.3896	3.8091	5.1677
Grenada	(E Carib $)	4.4010	2.7000	1.6095	2.1837
Guadeloupe	(Local Fr)	9.2136	5.6525	3.3697	4.5716
Guam	(US $)	1.6300	1	0.5961	0.8086
Guatemala	(Quetzal)	9.8098	6.0183	3.5877	4.8674
Guinea	(Fr)	1745.32	1070.75	638.301	865.987
Guinea-Bissau	(Peso)	57050.0	35000.0	20864.4	28306.8
Guyana	(Guyanese $)	229.993	141.100	84.1133	114.117
Haiti	(Gourde)	26.4973	16.2560	9.6906	13.1473
Honduras	(Lempira)	20.7968	12.7600	7.6068	10.3199
Hong Kong	(HK $)	12.6308	7.7490	4.6195	6.2671
Hungary	(Forint)	287.369	176.300	105.100	142.586
Iceland	(Icelandic Krona)	115.567	70.9000	42.2653	57.3416
India	(Indian Rupee)	58.4763	35.8750	21.3868	29.0145
Indonesia	(Rupiah)	3914.45	2401.50	1431.64	1942.25
Iran	(Rial)	4890.00u	3000.00	1788.38	2426.30
Iraq	(Iraqi Dinar)	0.5068o	0.6109	0.1858	0.2515
Iraq	(Iraqi Dinar)	1956.00m	1200.00	715.360	970.520
Irish Rep	(Punt)	1.0365	0.6359	0.3791	0.5143
Israel	(Shekel)	5.4762	3.3596	2.0028	2.7171
Italy	(Lira)	2729.19	1674.35	998.152	1354.16
Jamaica	(Jamaican $)	55.6016	34.0500	20.2981	27.5385
Japan	(Yen)	201.841	123.645	73.7101	100
Jordan	(Jordanian Dinar)	1.1557	0.7090	0.4227	0.5734
Kazakhstan	(Tenge)	121.028	74.2500	44.2623	60.0510
Kenya	(Kenya Shilling)	89.1529	54.6950	32.6051	44.2355
Kiribati	(Australian $)	2.0843	1.2787	0.7623	1.0342
Korea North	(Won)	3.5045	2.1500	1.2817	1.7389
Korea South	(Won)	1457.22	894.030	532.962	723.035
Kuwait	(Kuwaiti Dinar)	0.4943	0.3033	0.1808	0.2453
Laos	(New Kip)	1566.49	[illegible]	[illegible]	[illegible]
Latvia	(Lats)	0.9469	[illegible]	[illegible]	[illegible]
Lebanon	(Lebanese £)	2518.98	[illegible]	[illegible]	[illegible]
Lesotho	(Maloti)	7.2045	[illegible]	[illegible]	[illegible]
Liberia	(Liberian $)	1.6300	[illegible]	[illegible]	[illegible]
Libya	(Libyan Dinar)	0.5795	[illegible]	[illegible]	[illegible]
Liechtenstein	(Swiss Fr)	2.3676	[illegible]	[illegible]	[illegible]
Lithuania	(Litas)	6.5208	[illegible]	[illegible]	[illegible]
Luxembourg	(Lux Fr)	56.4143	34.61[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Mozambique	(Metical)	18133.7	11125.0	6631.89	8997.53
Namibia	(S A Rand)	7.2045	4.4199	2.6349	3.5747
Nauru Is	(Australian $)	2.0843	1.2787	0.7623	1.0342
Nepal	(Nepalese Rupee)	92.6295	56.8500	33.8499	46.0593
Netherlands	(Guilder)	3.0749	1.8864	1.1246	1.5257
N'nd Antilles	(A/Guilder)	2.9177	1.7900	1.0671	1.4477
New Zealand	(NZ $)	2.3455	1.4390	0.8578	1.1638
Nicaragua	(Gold Cordoba)	14.8067	9.1482	5.4517	7.3963
Niger Rep	(CFA Fr)	921.360	565.250	336.970	457.158
Nigeria	(Naira)	35.6742o	21.8860	13.0468	17.7007
	(Naira)	138.795m	85.1500	50.7616	68.8665
Norway	(Nor. Krone)	10.6113	6.5327	3.8940	5.3843
Oman	(Rial Omani)	0.6276	0.3850	0.2295	0.3114

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)(2)	65.3303	40.0799	23.8934	32.4153
Panama	(Balboa)	1.6300	1	0.5961	0.8088
Papua New Guinea	(Kina)	2.2308	1.3670	0.8269	1.1218
Paraguay	(Guarani)	3483.31	2137.00	1273.92	1728.34
Peru	(New Sol)	4.3219	2.6515	1.5807	2.1444
Philippines	(Peso)	42.9782	26.3670	15.7185	21.3248
Pitcairn Is	(£ Sterling)	1	0.6135	0.3657	0.4962
	(NZ $)	2.3455	1.4390	0.8578	1.1638
Poland	(Zloty)	5.0102	3.0738	1.8324	2.4859
Portugal	(Escudo)	275.470	169.000	100.748	136.682
Puerto Rico	(US $)	1.6300	1	0.5961	0.8088
Qatar	(Riyal)	5.9339	3.6404	2.1701	2.9442
Reunion Is. de la	(F/Fr)	9.2168	5.6525	3.3697	4.5716
Romania	(Leu)	11248.2	6899.50	4112.97	5580.09
Russia	(Rouble)	9338.27m	5729.00	3415.30	4633.43
Rwanda	(Fr)	494.998	297.545	177.374	240.644
St Christopher	(E Carib $)	4.4010	2.7000	1.6095	2.1837
St Helena	(£)	1	0.6135	0.3657	0.4962
St Lucia	(E Carib $)	4.4010	2.7000	1.6095	2.1837
St Pierre & Miquelon	(F/Fr)	9.2136	5.6525	3.3697	4.5716
St Vincent	(E Carib $)	4.4010	2.7000	1.6095	2.1837
San Marino	(Italian Lira)	2729.19	1674.35	998.152	1354.16
Sao Tome	(Dobra)	3887.78	2385.13	1421.84	1929.01
Saudi Arabia	(Riyal)	6.1133	3.7505	2.2358	3.0332
Senegal	(CFA Fr)	921.360	565.250	336.970	457.158
Seychelles	(Rupee)	8.1500	5.0000	2.9806	4.0438
Sierra Leone	(Leone)	1271.40	780.000	464.978	630.838
Singapore	($)	2.3570	1.4460	0.8620	1.1695
Slovakia	(Koruna)	53.6903	32.9020	19.6143	26.6101
Slovenia	(Tolar)	249.496	153.065	91.2458	123.794
Solomon Is	($)	5.9274	3.6364	2.1678	2.9410
Somali Rep	(Shilling)	4270.60	2620.00	1561.85	2118.97
South Africa	(Rand)	7.2045	4.4199	2.6349	3.5747
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Vatican	(Lira)	2729.19	1674.35	998.152	1354.16
Venezuela	(Bolivar)	778.977v	477.900	284.897	386.510
Vietnam	(Dong)	18998.7	11649.5	6944.66	9421.73
Virgin Is-British	(US $)	1.6300	1	0.5961	0.8088
Virgin Is-US	(US $)	1.6300	1	0.5961	0.8088
Western Samoa	(Tala)	4.0416	2.4795	1.4781	2.0053
Yemen (Rep of)	(Rial)	202.267r	124.090	73.9732	100.360
Yugoslavia	(New Dinar)	9.0865	5.5746	3.3291	4.5085
Zaire Rep	(Zaire)	279469.5	171450.0	102205.7	138663.1
Zambia	(Kwacha)	2105.96	1292.00	770.194	1044.93
Zimbabwe	($)	18.3538	11.2600	6.7126	9.1067
ECU	(ECU)	1.4067	0.8630	0.5145	0.6980
SDR	(SDR)	1.17885	0.725069	0.428862	0.585460

Abbreviations: (o) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Market rate now shown for Cuba (2) Pakistan Rupee devalued by 7.86pc against US dollar 22/10/96; FT enquiries to Business Research Centre 0171 256 5130. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365. To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls are charged at 50p per minute at all times.
Thursday, March 27, 1997

GOVERNMENT BONDS By Edward Luce and Samer Iskandar

Europe core has month of poor returns

With the exceptions of Spain and Portugal, all European government bond markets showed negative returns last month according to Salomon Brothers, the US investment bank.

Core European markets, including Germany and France, were driven lower mainly by the weaker US Treasury market in the lead up to the Federal Reserve's 25 basis point interest rate rise last Wednesday.

"The core European countries followed Treasuries and showed negative returns last month as expectations of higher US interest rates increased," said Mr José Luis Alzola, an economist at Salomon Brothers. Further falls were prompted by renewed fears that this was only the first step in a series of interest rate rises.

"The markets are worried that we are moving towards a higher yield environment," said Mr Adam Chester, bond strategist at Yamaichi International. Economists say the market is already focusing on the next meeting of the Federal Reserve's open market committee on May 20.

Compared with a month earlier, expectations that the Fed will tighten again have risen dramatically, casting a long shadow over European markets. "All markets are in the grip of the US," Mr Chester added.

Economists pointed out that US futures markets are pricing in rate rises of between 100 and 125 basis points over the next 12 months. This would undoubtedly have knock-on effects on Europe's core economies, although the continued appreciation of the dollar should temper some of the effects.

Furthermore, a stronger dollar is particularly favourable to the high-yielding markets as it boosts their exchange rates against the D-Mark. Spanish and Portuguese bonds' good performance last month was also underpinned by better than expected economic data.

"There was a partial reassessment of Spain's and Portugal's economic fundamentals, which were boosted by favourable inflation data," said one economist.

However, Italy was the exception among Europe's so-called "peripheral" markets. In the past month the yield on the 10-year benchmark Italian government bond rose by 50 basis points to 7.80 per cent. Also, in a reflection of investors' waning confidence, the country's chances of joining the single currency fell just below 50 per cent, according to J.P. Morgan's Emu calculator. This measures forward markets' expectations of interest rate convergence between candidates for Emu.

Disappointment with the outcome of Italy's long-awaited mini-budget introduced further doubts about its ability to overcome domestic opposition to fiscal reform. Not only were the savings proposed (L15,500bn) at the lower end of the expected range, but economists criticised the measures for failing to initiate lasting structural reforms. "The mini-budget is nothing but a combination of fudges," said one economist.

Mr Sanjay Joshi, head of research at Daiwa Europe said: "Italy's mini-budget seems to be full of one-off measures and very little in the way of serious structural reform."

However, Italy's fiscal performance remains on a long-term virtuous trend, even if few economists expect its budget deficit to fall to the government's target of 3 per cent of gross domestic product in 1997. This, and the continuing strong political commitment to Emu, will ensure that jitters over Italy's short-term prospects do not translate into dramatic volatility in its bond markets.

Stronger economic growth data for the first quarter in Italy and other European countries would help dispel some of the recent uncertainty in the markets. In addition, the expected net outflow of about $80bn worth of Japanese portfolio investments this year, according to estimates by Daiwa, should provide further support.

"Most of the Japanese money will probably go to the US and the UK as the ultimate hedge against Emu worries," said Mr Joshi. "But some will inevitably spill over into the European markets."

● More strong economic data led US Treasury prices lower at the long end of the maturity spectrum yesterday, while shorter-term government debt was flat to modestly higher, writes Lisa Bransten in New York.

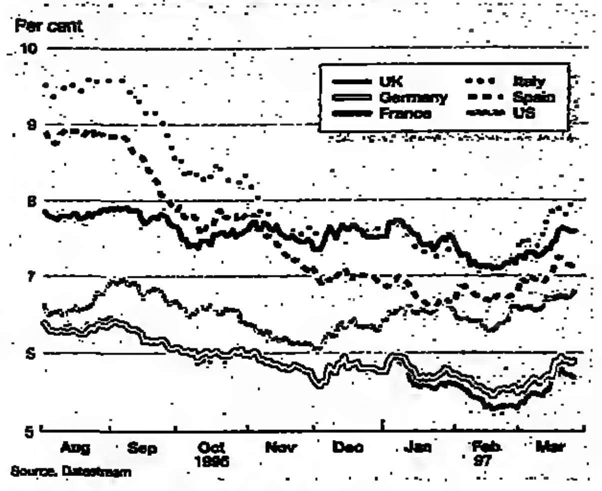
In late morning trading the benchmark 30-year Treasury was [illegible] weaker at 94[illegible] to yield 7.093 per cent, while the two-year note rose [illegible] to 99[illegible], yielding 6.419 per cent. The June 30-year bond future was unchanged at 107[illegible].

Stronger than expected figures on February personal income and expenditure caused concern on Wall Street that the Federal Reserve would continue raising interest rates.

Economists are divided about whether last week's rate rise would be a one-off attempt to slow the economy or would lead to a series of increases. With each piece of strong economic news, however, the consensus has grown that there are likely to be more monetary tightenings in the near term.

A second day of sharp losses on the US equity market did give some support to the shorter-term issues, but it was not enough to offset the market's generally negative tone, said Mr John Spinello, a government securities strategist Merrill Lynch.

10-year benchmark bond yields



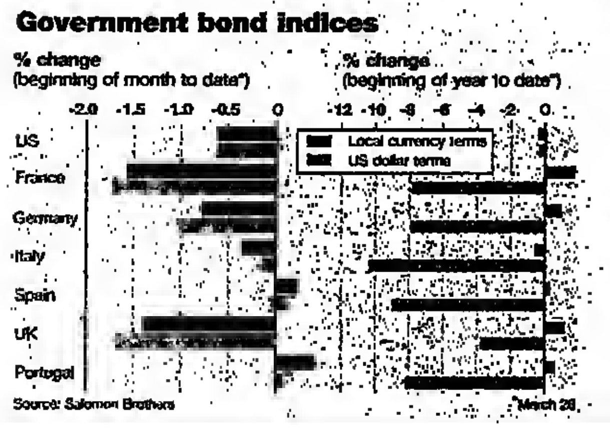
Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.10[1]	6.75	6.00[2]
Overnight	n/a	n/a	3.00	3.18	7.00	n/a
Three month	5.38	0.48	3.15	3.22	7.25	6.37
One year	6.00	0.71	3.32	3.42	7.14	6.84
Five year	6.73	1.56	4.72	4.88	7.47	7.35
Ten year	6.87	2.54	5.93	5.83	7.78	7.62

(1) France-Intervention rate. (2) UK-Base rate. Source: Reuters.

Government bond indices



Source: Salomon Brothers March 28

EMERGING MARKETS By Kasra Naji

From boom to bust in Dhaka

Heads are expected to roll after the crash on the Dhaka stock exchange, following one of the world's best performances last year.

An investigation into the bull run and the subsequent crash last week named brokers, dealers, and listed companies, which allegedly manipulated the market.

The government is now seeking legal advice after a special cabinet meeting. "This is a conspiracy against the free market economy," said Mr Imtiyaz Husain, chairman of the stock exchange.

The investigation was carried out by a committee appointed by the regulatory Securities and Exchange Commission. As the report was handed over to the government on Thursday, hundreds of angry small investors in the once-flourishing kerb market outside the Dhaka exchange threatened a day of action. They locked the doors of the exchange with chains as they mounted a noisy demonstration against Mr Shah Kibria, finance minister.

He was, however, spared further abuse when word went around that the report blamed not the government but market players on the floor of the stock exchange.

For years Bangladesh's two stock exchanges, in Dhaka and in the southern port of Chittagong, failed to attract much interest. But soon after the June general elections a new rush started in the markets.

The Awami League government, which came to power after 21 years in opposition, committed itself to sweeping market reforms. It took a number of steps to attract foreign investment, including abolishing a one-year lock-in for foreign holders of primary shares.

Dhaka's all-share price index, which hovered around 1,000 in mid-June, jumped to 3,627 in less than five months while the market's total value increased by nearly Tk200m ($4.5bn).

A kerb market developed outside the exchange where thousands of traders held up share certificates for sale.

An estimated 300,000 small investors bought and sold shares on the kerb market at all times of the day and night – some using their entire savings and others borrowing money in the hope of a quick return.

But the bust arrived just as the boom had started – fast. In spite of efforts by the SEC and the government to ensure a soft landing, the market plunged, taking the all-share index down to 1,027 last Tuesday. It then rose by 17.8 per cent over three sessions before giving back 5.2 per cent yesterday as small investors took profits. The market is also expensive compared with its neighbours, trading on a prospective p/e of 40, compared with 10 in Sri Lanka and India, and just eight for Pakistan.

Only two copies of the investigators' report, which runs to more than 100 pages, have been printed, to ensure maximum secrecy. And although the contents have not yet been published, leaks to the press have made clear that at least 20 members and dealers were named for alleged irregularities.

Some are accused of buying on the exchange floor and selling on the kerb, where the prices were nearly 20 per cent higher, while the bull run lasted. It is also alleged that bulk deals were done by a few big operators, but often the actual transactions were never completed within the stipulated time. Although the purchases were registered, no actual purchase took place – enabling the operators to increase the value of their stock holdings without buying and selling.

The committee of inquiry is reported to have proposed a package of reforms and urged that they are implemented immediately. It has suggested independent management for the Dhaka and Chittagong exchanges and said that brokers should not be allowed to be dealers.

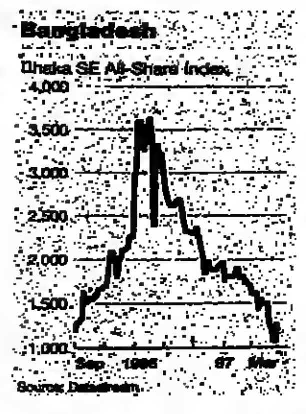
However, the brokers have their own explanation for what went wrong. There were too many people chasing too few shares, they say, adding that the government did not move fast enough to release shares in state-owned companies which had been earmarked for sale. They also say a decision to establish an auction system for bulk sales of shares only helped to push up the prices.

At the same time, circuit breakers which limited price rises and falls to 5 per cent, and later to 10 per cent, gave a false sense of security to many first-time investors.

Opinion is divided as to whether the government should release the report. Some analysts believe a delay would help spread rumours and panic genuine brokers and investors. Others believe the government should call a meeting of all major players to review the whole situation. They point out that computerised trading, due in September, will help to get rid of the kerb market and will make all deals instantly transparent.

"We should look at the whole thing as a learning process," said Mr Onn Jaigirdar of Premium Securities – a corporate member of the stock exchange. "Going around looking for a scapegoat is a negative and ignorant thing to be doing."

Bangladesh



Source: Datastream

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	27/3/97	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (449)	175.39	+0.17	+0.10	-2.45	-1.38	+15.27	+9.54
Latin America							
Argentina (22)	118.42	+1.30	+1.11	+0.61	+0.52	+11.29	+10.54
Brazil (24)	+330.58	-1.72	-0.52	+7.25	+2.24	+69.55	+26.64
Chile (16)	187.31	+2.61	+1.41	-7.93	-4.06	+24.86	+15.30
Colombia (13)	218.35	-0.11	-0.05	+3.34	+1.55	+44.66	+25.71
Mexico (27)	94.47	+0.79	+0.86	+0.79	+0.84	+12.79	+15.86
Peru (12)	1,175.62	+12.89	+1.11	+6.83	+0.58	+168.40	+16.72
Venezuela (6)	61.89	+0.70	+1.14	-4.66	-7.00	-0.29	-0.46
Latin America (119)	171.41	+0.54	+0.32	+1.24	+0.73	+27.91	+19.45
Europe							
Czech Rep.(14)	102.52	+0.79	+0.78	-10.60	-9.37	-1.75	-1.68
Greece (20)	153.21	+3.57	+2.38	+0.10	+0.07	+40.90	+36.42
Poland (25)	358.50	+11.76	+3.40	-35.26	-8.95	+14.75	+4.29
Portugal (18)	167.30	+3.72	+2.27	+3.62	+2.21	+21.12	+14.45
South Africa (30)	145.53	-0.28	-0.19	-0.39	-0.27	+15.64	+12.04
Turkey (27)	158.89	-14.38	-6.30	-20.57	-11.47	+33.65	+26.91
Europe (134	134.96	-0.18	-0.13	-2.70	-1.96	+16.63	+14.05
Asia							
China (27)	55.05	-0.78	-1.36	-1.07	-1.91	-1.43	-2.53
Indonesia (30)	153.37	+2.07	+1.37	-11.64	-7.17	-3.08	-1.98
Korea (23)	77.45	+3.57	+4.83	-3.83	-4.71	-3.76	-4.63
Malaysia (24)	271.90	+2.70	+1.00	-8.37	-2.99	-8.52	-3.04
Pakistan (13)	71.84	+0.63	+0.89	-1.66	-2.26	+13.38	+22.88
Philippines (18)	316.62	+1.98	+0.63	-12.49	-3.80	+2.82	+0.90
Taiwan (31)	197.76	-7.12	-3.46	-3.25	-1.62	+12.31	+6.64
Thailand (29)	135.33	+2.48	+1.86	-0.76	-0.58	-19.84	-12.76
Asia (193)	215.73	-0.04	-0.02	-7.06	-3.17	-1.85	-0.85

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Stalexport(a,s)§	50	Apr 2002	4.50	100.00	-	-	Robert Fleming & Co
Eksportfinans(f)★	100	Apr 2000	5.90‡	100.00	-	-	Yamaichi Intl(Europe)
Kingdom of Denmark(g)★	400	Apr 2000	5.90‡	99.13	-	-	Yamaichi Intl(Europe)
Swedish Export Credit(f)	70	Apr 2000	6.00‡	100.00	-	-	Nikko Europe
Banque de la Mediterranée	50	Apr 2002	9.25‡	100.00R	9.250	+260(6¼%-02)	Paribas Capital Markets
Fed Home Loan Mtg Corp(f)★	70	Apr 2000	6.00‡	100.00	-	-	Sanwa International
D-MARKS							
GECC(s)	250	Dec 2001	4.625	99.44R	4.768	+8(4¾%Nov01)	Paribas Capital Markets
YEN							
Finnish Export Credit(m)★	10bn	Apr 2000	5.34‡	100.00	-	-	New Japan/Sanwa Intl
STERLING							
FRESH, Srs 1, Cls A1(b1)‡	727.884	Apr 2050	11.125	127.039	8.389	+60(8%Jun21)	NatWest Markets
FRESH, Srs 1, Cls A2(b2)‡	115.905	Apr 2050	11.125	120.204	8.569	+80(8%Jun21)	NatWest Markets
FRESH, Srs 1, Cls A3(b3)‡	37.090	Apr 2050	11.125	124.62	8.569	+80(8%Jun21)	NatWest Markets
FRESH, Srs 1, Cls B(b4)‡	37.090	Apr 2050	11.125	122.136	8.769	+100(8%-21)	NatWest Markets
Swedish Export Credit Corp	125	Oct 1999	6.25‡	98.43	6.945	-	Daiwa Europe
Fed Home Loan Mtg Corp★	62.5	Apr 2000	6.40‡	100.00	6.400	-	Merrill Lynch Intl
FRENCH FRANCS							
African Development Bank‡	500	Apr 2007	(e)	100.325R	-	-	CCF
ITALIAN LIRE							
Pemex‡	350bn	Apr 2004	(f)	99.75R	-	-	JP Morgan Securities
ING Bank‡	200bn	Apr 1999	(g)	100.2905	-	-	IMI Bank Luxembourg
Oest Postsparkasse(h)	100bn	Dec 2006	7.50	100.07	-	-	BNL/Cariplo
EUROS							
Crédit Local de France(s)	100	Dec 2002	5.625	101.72	5.27	-	BIL
LUXEMBOURG FRANCS							
DSL Bank(s)	2bn	Dec 2002	5.125	102.55	4.60	-	BCEE/BGL
NEW ZEALAND DOLLARS							
Deutsche Bank Finance	100	Apr 2002	8.00	100.725	7.730	-	DMG/Toronto Dominion
GECC	100	Apr 1999	8.00	101.05	7.416	-	Hambros Bank
PESETAS							
Veranfaus(s)	10bn	Sep 2000	6.427	100.00	-	-	Argentaria
RAND							
European Investment Bank	100	Apr 2002	14.625	101.71	14.13	-	Hambros Bank
World Bank(c)	2bn	Apr 2022	zero	3.90R	13.85	-	JP Morgan Securities
EBRD(j)	2bn	Apr 2017	zero	6.945R	14.27	-	Toronto Dominion Bank
EBRD(k)	1bn	Apr 2027	zero	2.70R	12.79	-	Toronto Dominion Bank
International Finance Corp	100	Apr 2002	14.75	99.85R	14.79	-	Toronto Dominion Bank
DANISH KRONER							
ABN Amro Bank	400	May 2002	5.625	101.75	5.215	-	ABN Amro Hoare Govett
CZECH KORUNA							
Toyota Motor Credit Corp	1bn	Apr 1998	11.00	99.95R	11.06	-	Dresdner KB
Oesterreichische Kontrollbank	1bn	Apr 2000	10.25	100.00R	10.25	-	Creditanstalt
Deutsche Finance(Neths)(l)	750	Apr 2001	10.50	99.95R	10.52	-	Deutsche Morgan G'fell
Bremer LB Cap Markets	1bn	Apr 2000	10.375	99.95R	10.40	-	Inv Atchtz/WoodCmz
PHILIPPINE PESOS							
World Bank(d)	1bn	Apr 2002	10.25	100.50R	10.12	-	Deutsche Morgan G'fell

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ΦWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Conversion price 42.459 zlotys. FX: 3.0789 zlotys/$. Premium redemption: 122.53%. Callable after 3 yrs, subject to 140% hurdle, at accreted value. b) Finance for Residential Social Housing. Average lives: b1) 28.47 yrs, b2) 19.54, b3) 28.47, b4) 28.48. b5) Series 1, Class C: £9.7m. b6) Series 2, Class A: £40.9m. Class B: £3.1m. b7) Series 3, Class A: £9.7m. c) R5bn launched on 13/3/97 was increased to R7bn. d) 3bn pesos launched on 13/3/97 was increased to 4bn pesos. e) 4¼% to 25/4/00, then Tec-10 -94bp. f) 3-mth Libor +185bp. g) 3-mth Libor -15bp. h) Fungible with L400bn. Plus 138 accrued. i) Over interpolated yield. j) R2.5bn launched 25/3/97 was increased to R4.5bn. k) R5bn launched 26/3/97 was increased to R6bn. l) Long 1st coupon. m) Redeemed in US$. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

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Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

	Selling Price	Yield Gr's	City-Line
A$ Accum	A$19.559	4.90	40007
ASch Accum	Sch341.11	2.00	47844
C$ Accum	C$16.670	1.80	46941
DM Accum	DM38.045	2.20	41229
DFl Accum	Dfl31.885	1.90	46854
Ecu Accum	Ecu13.667	3.00	41238
FFr Accum	FFr67.885	2.10	41282
HK$ Accum	HK$123.46	4.30	41310
Lire Accum	L24281	6.40	41386
NZ$ Accum	NZ$41.132	6.40	41544
Ptas Accum	Pta2798.7	4.92	58124
£ Accum	£13.409	5.00	41546
SKr Accum	SKr122.74	6.00	46634
SFr Accum	SFr29.453	0.90	41598
US$ Accum	$21.962	4.00	41675
Yen Accum	Y2891.6	0.10	41702

Prices for dealing March 27

Rothschild Asset Management (CI) Ltd

PO Box 242, St Peter Port, Guernsey 01481 713713

Royal Bank of Canada Intl Money Market Fd

Sauli International (Guernsey) Ltd

Schroder Investment Mgmnt (Guernsey) Ltd

Stalwart Fund Managers (Guernsey) Ltd

UBK Asset Management (Guernsey) Ltd

U.S. Advisers (Guernsey) Limited

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

Murray Johnstone (Dublin) Ltd

Europe House, Harcourt St, Dublin 2 3531 407 2000

Odey Asset Management Ltd

Baring Mutual (Ireland) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Umbrella Fund Inc	$12.94	13.33	0.00	46874
Pacific Emerging 94 A	$70.74		0.00	52199
Pacific Emerging 94 B	$88.74		0.00	52200
Latin America	$8.87		0.00	54437
Taiwan Fund NAV	$12.90		0.00	52165

Berkshire KITC Growth Fund Plc

Berkshire Korea Fund Plc

Offshore Funds and Insurances

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LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

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OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Mar 31		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. index
Europe													
Austria	(Sch)	19.2908	-0.0028	714 - 902	19.4028	19.2635	19.2373	2.7	19.1806	2.1	-	-	103.9
Belgium	(BFr)	56.6252	+0.0683	022 - 482	56.7690	56.4560	56.5002	2.6	56.2402	2.7	54.9152	3.0	103.8
Denmark	(DKr)	10.4364	-0.0003	318 - 412	10.4751	10.4228	10.4144	2.5	10.3709	2.5	10.1609	2.6	106.2
Finland	(FM)	8.1325	-0.0006	238 - 411	8.1840	8.1239	-	-	-	-	-	-	83.9
France	(FFr)	9.2420	+0.0158	375 - 465	9.2582	9.2146	9.2199	2.9	9.1762	2.8	8.9591	3.1	106.9
Germany	(DM)	2.7395	+0.0001	382 - 407	2.7513	2.7356	2.7329	2.9	2.7193	2.9	2.6526	3.2	105.6
Greece	(Dr)	435.245	+1.76	030 - 460	436.120	433.080	-	-	-	-	-	-	66.2
Ireland	(I£)	1.0337	-0.0018	327 - 346	1.0361	1.0327	1.0334	0.3	1.0325	0.5	1.0259	0.8	102.1
Italy	(L)	2739.27	+3.54	761 - 092	2747.88	2732.40	2742.87	-1.5	2747.52	-1.2	2750.32	-0.4	75.9
Luxembourg	(LFr)	56.6252	+0.0683	022 - 482	56.7690	56.4560	56.5002	2.6	56.2402	2.7	54.9152	3.0	103.8
Netherlands	(Fl)	3.0800	-0.0002	785 - 815	3.0835	3.0772	3.0719	3.2	3.0561	0.1	2.9806	3.2	103.5
Norway	(NKr)	10.8338	-0.0008	288 - 387	10.8107	10.8193	10.8093	2.7	10.7606	2.7	10.5353	2.8	103.8
Portugal	(Es)	275.462	-0.032	280 - 644	277.117	275.145	275.802	-0.8	275.987	-0.8	-	-	94.7
Spain	(Pta)	232.756	+0.808	633 - 938	233.130	232.060	232.919	-0.7	232.785	0.0	231.311	0.6	78.1
Sweden	(SKr)	12.3703	+0.0028	620 - 785	12.4030	12.3348	12.3519	1.8	12.3118	1.9	12.1158	2.1	84.3
Switzerland	(SFr)	2.3655	-0.0034	641 - 668	2.3775	2.3623	2.3567	4.5	2.3386	4.5	2.2548	4.7	102.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	98.0
Ecu	-	1.4095	+0.0005	084 - 105	1.4149	1.4079	1.4073	1.9	1.4026	2.0	1.3775	2.3	-
SDR†	-	1.175851	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6418	+0.0078	412 - 423	1.6447	1.6293	-	-	-	-	-	-	-
Brazil	(R$)	1.7410	+0.0106	400 - 419	1.7437	1.7322	-	-	-	-	-	-	-
Canada	(C$)	2.2683	+0.0121	672 - 694	2.2742	2.2505	2.2624	3.1	2.2517	2.9	2.2071	2.7	85.0
Mexico	(New Peso)	13.0227	+0.0761	122 - 332	13.0465	12.9195	-	-	-	-	-	-	-
USA	($)	1.6420	+0.0077	415 - 425	1.6450	1.6296	1.6414	0.4	1.6398	0.5	1.6324	0.6	104.0
Pacific/Middle East/Africa													
Australia	(A$)	2.0948	+0.0112	932 - 964	2.0977	2.0767	2.0947	0.1	2.0939	0.2	2.0898	0.2	97.7
Hong Kong	(HK$)	12.7239	+0.0596	192 - 286	12.7463	12.6266	12.7198	0.4	12.7083	0.5	12.6682	0.4	-
India	(Rs)	58.9068	+0.2617	478 - 658	58.9730	58.4960	-	-	-	-	-	-	-
Israel	(Shk)	5.5059	+0.017	990 - 127	5.5127	5.4797	-	-	-	-	-	-	-
Japan	(Y)	203.296	+0.853	160 - 424	203.620	202.100	202.326	5.7	200.465	5.6	191.956	5.6	122.0
Malaysia	(M$)	4.0710	+0.0155	685 - 734	4.0771	4.0447	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3633	+0.0105	609 - 657	2.3659	2.3458	2.3662	-1.5	2.3713	-1.4	2.3918	-1.2	115.4
Philippines	(Peso)	43.2914	+0.1562	371 - 456	43.3456	43.2371	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1584	+0.0291	563 - 605	6.1694	6.1121	-	-	-	-	-	-	-
Singapore	(S$)	2.3732	+0.0076	718 - 747	2.3767	2.3579	-	-	-	-	-	-	-
South Africa	(R)	7.2585	+0.0359	536 - 631	7.2893	7.2077	-	-	-	-	-	-	-
South Korea	(Won)	1470.41	+3.92	586 - 497	1471.91	1439.20	-	-	-	-	-	-	-
Taiwan	(T$)	45.2207	+0.2134	741 - 673	45.2704	44.9116	-	-	-	-	-	-	-
Thailand	(Bt)	42.6516	+0.185	989 - 050	42.7050	42.4030	-	-	-	-	-	-	-

† Rates for Mar 28. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 31		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.7423	-0.0574	401 - 444	11.8380	11.7401	11.7276	1.5	11.6823	2.0	11.4873	2.2	103.8
Belgium	(BFr)	34.4855	-0.1095	820 - 890	34.7060	34.4120	34.4255	2.1	34.298	2.2	33.758	2.1	103.8
Denmark	(DKr)	6.3559	-0.0303	549 - 569	6.4067	6.3514	6.347	1.7	6.3266	1.7	6.2469	1.7	105.4
Finland	(FM)	4.9528	-0.0239	490 - 565	5.0064	4.9490	4.944	2.1	4.9253	2.2	4.8428	2.2	83.8
France	(FFr)	5.6285	-0.017	275 - 295	5.6580	5.6160	5.6178	2.3	5.5968	2.3	5.4885	2.5	106.2
Germany	(DM)	1.6684	-0.0078	881 - 886	1.6815	1.6672	1.6652	2.3	1.6587	2.3	1.625	2.8	105.1
Greece	(Dr)	265.070	-0.19	020 - 120	266.170	264.810	266.625	-7.0	269.195	-6.2	280.22	-5.7	66.0
Ireland	(I£)	1.5885	+0.0102	875 - 895	1.5895	1.5735	1.588	0.3	1.5875	0.3	1.5868	0.6	-
Italy	(L)	1668.25	-5.75	775 - 875	1680.07	1667.75	1671.25	-2.2	1676.1	-1.9	1685.9	-1.1	75.6
Luxembourg	(LFr)	34.4855	-0.1095	820 - 890	34.7060	34.4120	34.4255	2.1	34.298	2.2	33.758	2.1	103.8
Netherlands	(Fl)	1.8758	-0.009	755 - 760	1.8917	1.8755	1.872	2.4	1.864	2.5	1.8284	2.5	103.1
Norway	(NKr)	6.5979	-0.0316	969 - 989	6.6814	6.5932	6.5941	6.7	6.5885	0.6	6.5629	0.5	103.2
Portugal	(Es)	167.750	-0.815	700 - 820	168.960	167.630	167.89	-0.9	168.04	-0.7	167.775	0.0	95.0
Spain	(Pta)	141.770	-0.3	720 - 820	142.500	141.720	141.861	-0.8	141.98	-0.6	141.775	0.0	77.8
Sweden	(SKr)	7.5337	-0.094	309 - 364	7.5785	7.5273	7.5309	0.5	7.521	0.7	7.4737	0.8	83.7
Switzerland	(SFr)	1.4408	-0.0069	402 - 416	1.4530	1.4392	1.4359	4.0	1.4264	3.9	1.3809	4.1	102.3
UK	(£)	1.6420	+0.0077	415 - 425	1.6450	1.6296	1.6414	0.4	1.6398	0.5	1.6324	0.6	98.3
Ecu	-	1.1650	+0.0051	645 - 655	1.1655	1.1580	1.1662	-1.2	1.1687	-1.3	1.184	-1.6	-
SDR†	-	0.72332	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0001	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0603	+0.0015	600 - 605	1.0605	1.0585	-	-	-	-	-	-	-
Canada	(C$)	1.3816	+0.0008	812 - 817	1.3829	1.3795	1.3788	2.8	1.3734	2.3	1.352	2.1	85.1
Mexico	(New Peso)	7.9310	+0.009	270 - 350	7.9360	7.9260	8.049	-17.9	8.3155	-19.4	9.178	-10.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	105.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2758	+0.0009	752 - 763	1.2763	1.2752	1.2765	-0.7	1.2773	-0.5	1.2826	-0.5	100.2
Hong Kong	(HK$)	7.7490	-0.0003	485 - 495	7.7495	7.7485	7.7489	0.0	7.7494	0.0	7.7805	-0.1	-
India	(Rs)	35.8750	-0.01	500 - 000	35.8700	35.8500	36.09	-7.2	36.55	-7.5	-	-	-
Israel	(Shk)	3.3532	-0.0055	500 - 563	3.3657	3.3500	-	-	-	-	-	-	-
Japan	(Y)	123.816	-0.065	770 - 850	124.170	123.600	123.275	5.2	122.25	5.0	117.45	5.1	122.7
Malaysia	(M$)	2.4793	-0.0022	785 - 800	2.4820	2.4773	2.4821	-1.4	2.4875	-1.3	2.5098	-1.2	-
New Zealand	(NZ$)	1.4393	-0.0004	382 - 403	1.4403	1.4382	1.4416	-1.9	1.4459	-1.8	1.4666	-1.9	-
Philippines	(Peso)	26.3650	-0.0295	400 - 900	26.3900	26.3400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 507	3.7507	3.7504	3.7508	-0.1	3.7513	-0.1	3.7532	-0.1	-
Singapore	(S$)	1.4453	-0.0022	448 - 459	1.4465	1.4437	1.4431	1.8	1.4386	1.9	1.4173	1.9	-
South Africa	(R)	4.4205	+0.001	190 - 220	4.4220	4.4190	4.4612	-11.0	4.5362	-10.5	4.851	-9.7	-
South Korea	(Won)	895.500	-1.85	000 - 000	899.800	891.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.5400	-	200 - 600	27.5600	27.5200	27.5401	0.0	27.5403	0.0	-	-	-
Thailand	(Bt)	25.9750	-0.01	500 - 000	26.0000	25.9500	26.085	-4.2	26.2325	-4.0	26.87	-3.4	-

† SDR rate per $ for Mar 28. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 28: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

March 27	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.16	-	4.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.16	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.25	6.75	7.34
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.25	6.75	7.45
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	3½	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	½	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	½	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.45	5.53	5.68	6.00	-	-	-
week ago	-	5.45	5.42	5.56	5.86	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	3½ - 3¼	3¼ - 3	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	3 - 2¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	6 - 5¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	3 - 2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.99	94.00	-	94.00	93.98	118,121	515,084
Sep	93.67	93.69	-0.31	93.70	93.67	115,624	387,428
Dec	93.38	93.41	-0.28	93.42	93.39	101,617	271,841

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.53	94.54	-	94.54	94.53	707	6,913
Sep	94.23	94.24	-0.06	94.24	94.23	42	2,803
Dec	-	-	-	-	-	-	-

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 31		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.32	4.838	1.824	4838	5.440	19.13	486.4	411.0	21.85	4.177	1.766	4.006	2.900	358.2	2.489
Denmark	(DKr)	54.23	10	8.852	2.624	0.989	2624	2.950	10.37	263.8	222.9	11.85	2.265	0.958	2.172	1.573	194.8	1.350
France	(FFr)	61.26	11.30	10	2.964	1.118	2964	3.333	11.72	298.0	251.8	13.38	2.559	1.082	2.454	1.777	220.1	1.525
Germany	(DM)	20.67	3.812	3.374	1	0.377	1000	1.124	3.954	100.5	84.96	4.516	0.863	0.365	0.828	0.599	74.26	0.514
Ireland	(I£)	54.81	10.11	8.947	2.652	1	2652	2.982	10.48	266.6	225.3	11.97	2.289	0.968	2.196	1.590	196.9	1.364
Italy	(L)	2.067	0.381	0.337	0.100	0.038	100.	0.112	0.395	10.05	8.496	0.452	0.086	0.037	0.083	0.060	7.426	0.051
Netherlands	(Fl)	18.38	3.390	3.001	0.889	0.335	889.3	1	3.516	89.42	75.56	4.018	0.768	0.325	0.736	0.533	66.04	0.457
Norway	(NKr)	52.28	9.640	8.534	2.529	0.954	2529	2.844	10	254.3	214.9	11.42	2.184	0.923	2.094	1.516	187.8	1.301
Portugal	(Es)	20.56	3.791	3.356	0.995	0.375	994.6	1.118	3.932	100.	84.50	4.492	0.859	0.363	0.824	0.596	73.86	0.512
Spain	(Pta)	24.33	4.486	3.972	1.177	0.444	1177	1.324	4.654	118.3	100.	5.316	1.016	0.430	0.975	0.706	87.41	0.606
Sweden	(SKr)	45.77	8.440	7.471	2.214	0.835	2214	2.490	8.755	222.6	188.1	10	1.912	0.808	1.833	1.327	164.4	1.139
Switzerland	(SFr)	23.94	4.414	3.908	1.158	0.437	1158	1.302	4.579	116.4	98.39	5.230	1	0.423	0.959	0.694	86.00	0.596
UK	(£)	56.62	10.44	9.242	2.739	1.033	2739	3.080	10.83	275.4	232.7	12.37	2.365	1	2.268	1.642	203.4	1.409
Canada	(C$)	24.96	4.603	4.075	1.208	0.455	1208	1.358	4.775	121.4	102.6	5.454	1.043	0.441	1	0.724	89.68	0.621
US	($)	34.48	6.358	5.629	1.668	0.629	1668	1.876	6.596	167.7	141.7	7.533	1.440	0.609	1.381	1	123.9	0.858
Japan	(Y)	27.84	5.133	4.544	1.347	0.508	1347	1.514	5.324	135.4	114.4	6.082	1.163	0.492	1.115	0.807	100.	0.693
Ecu		40.18	7.410	6.569	1.944	0.733	1944	2.186	7.686	195.5	165.2	8.779	1.678	0.710	1.616	1.165	144.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est.vol	Open Int.
Jun	0.5985	0.6040	+0.0090	0.6040	0.6002	29,045	60,784
Sep	0.6050	0.6075	+0.0066	0.6075	0.6050	114	2,526
Dec	0.6093	0.6093	+0.0062	0.6093	0.6093	8	132

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est.vol	Open Int.
Jun	0.6960	0.7005	+0.0126	0.7005	0.6936	14,791	38,654
Sep	0.7028	0.7042	+0.0093	0.7043	0.7028	60	2,166
Dec	0.7105	0.7105	+0.0082	0.7105	0.7105	221	417

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est.vol	Open Int.
Jun	0.8150	0.8166	+0.0010	0.8185	0.8162	14,745	71,851
Sep	0.8298	0.8282	+0.0015	0.8298	0.8280	38	926
Dec	-	0.8420	-	-	0.8404	11	380

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est.vol	Open Int.
Jun	1.6320	1.6412	+0.0138	1.6412	1.6346	7,140	31,210
Sep	1.6300	1.6356	+0.0106	1.6360	1.6300	21	759
Dec	-	1.6330	+0.0104	1.6250	1.6200	78	98

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.620	1.51	2.36	2.91	0.53	1.54	2.19
1.630	0.93	1.85	2.45	0.95	2.02	2.84
1.640	0.54	1.42	2.01	1.62	2.53	3.18

Previous day's vol., Calls 135 Puts 1,230 . Prev. day's open int., Calls 26,928 Puts 38,540

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
0.590	6.78	1.20	1.46	0.22	0.48	0.65
0.595	0.47	0.91	1.17	0.38	0.69	0.86
0.600	0.27	0.66	0.92	0.68	0.95	1.12

Previous day's vol., Calls 1,811 Puts 1,294 . Prev. day's open int., Calls 29,347 Puts 41,366

UK INTEREST RATES

LONDON MONEY RATES

Mar 27	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 5½	6⅛ - 5⅞	6⅛ - 6	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	6	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Mar 27, 6.0361pc. ECGD fixed rate Stlg. Export Finance. Make up day Mar 27, 1997. Agreed rate for period Apr 22, 1997 to May 26, 1997, Scheme III 7.53pc. Reference rate for period Mar 1, 1997 to Mar 27, 1997, Schemes IV & V 6.282pc. Finance House Base Rate 6½pc from Mar 1, 1997

BANK OF ENGLAND TREASURY BILL TENDER

	Mar 27	Mar 21		Mar 27	Mar 21
Bills on offer	£400m	£400m	Top accepted rate	6.0566%	5.9964%
Total of applications	£1718m	£1964m	Ave. rate of discount	6.0361%	5.9914%
Total allocated	£400m	£400m	Average yield	6.1283%	6.0823%
Min. accepted bid	£98.490	£98.505	Offer at next tender	£400m	£400m
Allotment at min. level	34%	70%	Min. accept. bid 92 days	-	-

■ Pound in New York

Mar 31	—Latest—	— Prev. close —
£ spot	1.6465	1.6330
1 mth	1.6450	1.6325
3 mth	1.6435	1.6309
1 yr	1.6365	1.6237

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

● Members of London Investment Banking Association
* In administration

OTHER STATISTICS

STOCK INDICES

	Mar 27	Mar 26	Mar 25	Mar 24	Mar 21	1996/97 High	1996/97 Low	Since comp. High	Since comp. Low
FTSE 100	4312.9	4301.5	4270.7	4214.8	4254.8	4444.3	3632.3	4444.3	986.9
FTSE 250	4576.2	4568.6	4552.7	4539.9	4565.0	4729.4	4015.3	4729.4	1379.4
FTSE 250 ex IT	4616.7	4607.8	4581.9	4574.7	4602.3	4773.8	4024.4	4773.8	1378.3
FTSE 350	2128.1	2122.9	2109.4	2086.0	2104.4	2194.3	1816.6	2194.3	664.5
FTSE SmallCap	2313.72	2312.40	2311.89	2312.07	2320.74	2374.20	1964.06	2374.20	1363.79
FTSE SmallCap ex IT	2323.30	2321.12	2320.98	2320.50	2326.86	2382.36	1269.87	2382.36	1269.87
FTSE All-Share	2089.70	2084.89	2082.52	2061.29	2078.80	2183.94	1791.85	2183.94	61.92
FTSE Fledgling	1306.89	1304.21	1302.38	1304.62	1306.96	1346.52	1106.94	1346.52	31.14
FTSE Eurotrack 100	2186.61	2174.89	2140.51	2128.35	2130.07	2231.83	1504.40	2231.88	900.45
FTSE Eurotrack 200	2204.96	2196.09	2164.26	2146.82	2139.57	2266.03	1250.57	2266.03	938.62
FT 30	2851.4	2846.1	2823.1	2788.9	2822.7	2901.4	2668.8	2851.4	49.4
FT Govt Securities	93.63	93.92	94.00	94.11	93.90	96.74	91.57	127.40	49.18
FT Fixed Interest	117.85	117.59	117.65	117.89	117.86	120.18	110.60	133.87	50.53
FT Gold Mines	1654.62	1699.20	1689.05	1700.79	1730.39	2620.73	1574.61	2620.73	922.18

TRADITIONAL OPTIONS (March 27)

First Dealings	Mar 24	Expiry	June 18
Last Dealings	Apr 4	Settlement	June 26

Calls: Amer Endeavour, Bardon, Callums, Celltech, Cortecs, Essex Furn, Gem River, Glencar, Kynoch, Lynx Hld, Minmet, Rebus, Sheffield Utd, Simon Eng, Tandem, Tuskar Res. Puts: Albright & Wilson. Calls and Puts: Tuskar Res.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.44
Prime rate	8½	Two month	-	Three year	6.59
Broker loan rate	7	Three month	5.33	Five year	6.78
Fed.funds	6½	Six month	5.55	10-year	6.91
Fed.funds at intervention	-	One year	6.01	30-year	7.10

BANK RETURN

BANKING DEPARTMENT	Wednesday March 26, 1997	Increase or decrease for week
	£	£
Liabilities		
Capital	14,553,000	
Public deposits	1,009,265,222	+87,084,239
Bankers deposits	2,229,072,008	+289,197,779
Reserve and other accounts	3,078,461,099	-391,195,955
	6,331,351,329	-14,913,937
Assets		
Government securities	1,280,357,115	-2,810,000
Advance and other accounts	3,291,821,789	-547,820,518
Premise, equipment and other secs	1,755,873,783	+539,366,256
Notes	3,200,995	-3,639,113
Coin	97,667	-10,562
	6,331,351,329	-14,913,937
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	21,596,799,005	+743,639,113
Notes in Banking Department	3,200,995	-3,639,113
	21,600,000,000	+740,000,000
Assets		
Other Government securities	15,981,213,109	+1,679,264,875
Other Securities	5,618,786,891	-939,264,875
	21,600,000,000	+740,000,000

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	107-10	107-12	-1-03	107-17	107-07	328,773	427,722
Sep	106-28	106-30	-1-03	107-02	106-26	916	32,068
Dec	106-22	106-18	-1-03	106-22	106-20	16	5,496

FT GOLD MINES INDEX

	Mar 27	% chg since 31/12/96	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1654.62	-8.3	46.77	100.00	2.83	-	2488.53	1654.62
■ Regional Indices								
Africa (14)	1943.30	-8.6	11.56	25.25	4.62	30.63	3230.92	1918.45
Australasia (6)	1947.75	-12.2	5.12	11.19	2.76	21.16	2844.14	1930.22
North America (12)	1540.16	-6.8	29.09	63.56	0.87	58.92	2134.81	1540.16

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UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

Britannia

£150,000,000
Floating rate notes 1997

For the period 27 March 1997 to 30 June 1997 the notes will bear interest at 6.5504% per annum. Interest payable on the relevant interest payment date 30 June 1997 will amount to £170.51 per £10,000 note and £1,705.07 per £100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

ABBEY NATIONAL

Abbey National First Capital B.V.
Can$100,000,000
Subordinated Collared Floating Rate Notes 2004

Notice is hereby given that the notes will bear interest at 6.375% per annum from 27 March 1997 to 29 September 1997. Interest payable on 29 September 1997 will amount to Can$32.49 per Can$1,000 note, Can$324.86 per Can$10,000 note and Can$3,248.63 per Can$100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 27 / Sch)

BELGIUM/LUXEMBOURG (Mar 27 / Frs.)

CZECH REP (Mar 28 / Koruna)

DENMARK (Mar 26 / Kr)

FINLAND (Mar 26 / Mks)

FRANCE (Mar 27 / Frs.)

		+/-	High	Low	Yld	P/E
AGF	206.50	...	231.40	128.20	2.4	18.2
Accor	816	...	856	600	2.4	23.3
AirLiq	899	...	944	750	1.8	23.4
Alcatel	575	...	609	300	1.5	48.6
ArgPri	1,850	...	*1,740	1,180	1.4	...
Axa	372.30	...	393.10	262.80	2.6	22.4
BIC	855	...	960	640	1.8	37.2
BNP	250.10	...	279	171	2.2	13.4
Bncalr	745	...	815	487.20	1.8	...
BFaure	286.80	...	301	188	1.4	18.2
Bongrn	2,234	...	2,470	1,895	2.7	13.2
Bygues	580	...	515	444.60	4.5	...
CLF Dm	470	...	*493	340	3.2	...
CGIP	1,730	...	1,760	1,118	3.2	...
Canal+	1,106	...	1,339	1,038	2.7	...

GERMANY (Mar 27 / Dm.)

GREECE (Mar 31 / Drachma)

ITALY (Mar 28 / Lira)

NETHERLANDS (Mar 27 / Fls.)

		+/-	High	Low	Yld	P/E
DSM	189.40	...	203.50	143.20	4.8	7.9
DschPe	360.20	...	373	245.10	2.0	...
EVC	62.40	...	63.40	42.60	4.8	...
Elsevr	00.50	...	32.60	24.30	2.5	27.0
FAmvDR	73.10	...	76.96	16.84	2.4	16.0
Gamma	106.66	...	111	70	3.6	13.4
Getronic	81	...	69.80	28.40	2.0	40.1
GistBrd	50	...	88.50	39.80	7.0	5.2
GBrDpR	81.40	...	90.30	48.30	2.8	10.8
Grisch	59.90	...	76.80	50	2.5	16.1
Hagmyr	159.80	...	171	108.60	1.4	23.7
Heinkn	327.40	...	402	285.60	1.1	25.1
HollBe	428	...	432	280	3.1	12.1
HgvDpR	92.60	...	98	53.50	3.2	0.8
HunDgl	152.50	...	185.50	182	1.8	17.1
IHCCal	100.20	...	119.80	60	1.8	27.2
ING	73.80	...	80.30	45.20	2.4	18.2

NORWAY (Mar 26 / Kroner)

POLAND (Mar 27 / Zloty)

PORTUGAL (Mar 27 / Escudo)

SPAIN (Mar 31 / Pts.)

		+/-	High	Low	Yld	P/E
Iberdr	1,560	-25	1,860	1,030	3.1	17.0
Koipe	9,600	...	9,000	6,790	1.8	28.0
Mapfre	7,300	-10	8,820	5,400	1.8	29.7
Mtrovo	5,120	-220	5,340	3,975	1.5	...
PortV	8,350	-80	10,400	7,500	1.7	15.6
Pryca	2,650	-30	3,290	2,365	1.3	23.1
Repsol	5,900	-130	6,100	3,390	2.2	15.1
SNIACE	230	...	239	95	...	68.5
Sarrio	504	+4	535	367	1.8	32.7
SotMet	4,630	-70	*4,960	2,915	...	...
TabacA	7,180	-10	7,250	4,500	1.8	16.8
Telefn	3,415	-80	3,545	1,960	2.8	24.1
Un Fen	1,160	-30	1,350	666	4.3	...
UralR	1,160	-45	1,345	895	1.4	10.8
ValCem	1,750	...	1,780	1,250	1.5	17.0
Vallhes	3,500	-33	3,450	2,170	1.2	30.5
Viscfn	2,490	-25	2,780	1,650	0.7	...
ZardO	15,500	-50	15,700	11,750	4.3	...

SWEDEN (Mar 27 / Kronor)

SWITZERLAND (Mar 27 / Frs.)

TURKEY (Mar 31 / Tk Lira)

PACIFIC

JAPAN (Mar 31 / Yen)

		+/-	High	Low	Yld	P/E
Chiyoda	414	-6	1,330	405	1.8	50.5
ChiyFM	463xd	+14	684	398.05	1.8	32.9
ChubuE	2,010xd	-80	2,670	2,919	2.5	61.4
ChgPhrm	968xd	-6	1,100	011	1.2	24.3
ChugEP$	2,050xd	+20	2,510	2,000	2.4	20.5
ChuoTB	876xd	-20	1,250	861	0.7	...
Czwlch	851xd	-14	936	763	1.1	36.8
CsmOil	499xd	+31	732	402	1.8	48.2
D'psIC	445xd	-8	690	441	1.3	33.5
DaiduS	374xd	-5	589	001	1.6	42.5
Daiei	681xd	-6	1,480	670	2.4	...
Daifuk	1,350xd	+30	1,750	1,270	0.7	73.4
DaiJKB	1,310xd	-20	2,160	1,160	0.8	62.0
D'chiP	1,880xd	...	2,060	1,620	0.0	23.8
Daiken	925xd	+13	1,240	837	0.8	36.1
Daikyo	401xd	-43	906	307	2.5	58.6
D'maru	509xd	+2	840	505	1.0	20.6
DNpInk	415xd	+11	570	338	1.4	47.2

		+/-	High	Low	Yld	P/E
MyCaf	1,440xd	-10	1,900	1,430	1.8	...
NEC	1,400xd	+10	1,480	1,080	0.8	26.9
NGK In	1,060xd	...	1,250	1,050	0.6	40.6
NGK Sp	1,200xd	+10	1,240	1,100	0.8	49.2
NHK Sp	401xd	-6	661	398	1.5	60.8
NKK	260xd	-3	349	218	1.2	17.4
NOK	740xd	-6	1,100	716	0.8	24.8
NSK	669xd	-12	898	555	0.8	54.0
NTN	578xd	-10	805	525	1.6	48.5
NchiFu	331	-6	545	322	0.8	40.8
Nyklay	288	-6	1,100	265	...	...
Nagase	841xd	+26	1,060	740	1.8	22.8
NgRlrd	440xd	-1	570	430	1.0	75.9
NatHea	1,430xd	...	1,890	1,380	1.0	10.9
NautLea	186	-6	367	165	...	...
Nchiro	460xd	-7	790	470	1.2	...
NihnCm	524xd	-10	833	496	1.0	48.1
NhnNo	282xd	-8	545	290	1.1	48.5

HONG KONG (Mar 27 / H.K.$)

INDONESIA (Mar 27 / Rupiah)

MALAYSIA (Mar 31 / MYR)

NEW ZEALAND (Mar 27 / NZ $)

SINGAPORE (Mar 31 / S$)

AUSTRALIA (Mar 27 / AustS)

SOUTH KOREA (Mar 31 / Won)

TAIWAN (Mar 31 / TW $)

THAILAND (Mar 31 / Baht)

AFRICA

SOUTH AFRICA (Mar 27 / Rand)

		+/-	High	Low	Yld	P/E
Vlreefs	46.80	...	75	44	2.2	20.4
W Deep	123	...	223	125	3.0	...
Wphrs	22.60xd	...	*23.50	15	2.0	20.7

NORTH AMERICA

CANADA

MONTREAL (Mar 31 / Can $) 3 pm

TORONTO (Mar 31 / Can $) 3:15 pm

Sales			+/-	High	Low
238414	AbitibI x	20	-⅛	23⅞	16½
48425	AgncEag	15⅝	-⅛	28	15⅝
221429	AirCda	6⅝	+⅛	8½	4⅞
20449	AlbnE	28½	-⅛	33⅞	24⅞
580677	AlcanAl	46⅝	-⅛	52⅞	39⅝
267015	AndEsp	18⅞	-⅛	29⅞	12⅞
7291	AtcoCl x	25⅝	-⅛	27⅞	17⅞
79840	Avenor	22⅞	-⅛	24⅞	19⅞
24078	BCSugA	13⅝	-⅛	14⅞	9⅞
14780	BC Tel x	30⅞	-⅛	21⅞	25
810436	BCE x	64	-⅛	71⅞	48
3071	BCE Mb	42	-⅛	47⅞	3⅞
6650	BGR A	17⅞	-⅛	20⅞	16
123525	BkMont	49⅞	-⅛	55⅞	21⅞
184458	BkNovS x	51	-1⅛	57⅞	30⅞
615183	BrckGd	33⅞	-⅛	47⅞	33⅞
50011	BrascEx	2.88	-.13	3.17	1.8
300	BombA	25⅞	-⅛	27⅞	17⅞
647562	BombrB	25	-⅛	26⅞	17⅞
64225	BrscnA	61⅞	-⅛	33⅞	24

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended, xd Ex dividend, xc Ex scrip issue, xr Ex rights, xa Ex all. † Priced in US $.

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INDICES

	Mar 31	Mar 28	Mar 27	1996/97 High		1996/97 Low	
Argentina							
General(29/12/77)	(u)	(c)	20828.54	21551.30	24/2/97	18297.20	22/8/96
Australia							
All Ordinaries(1/1/80)	(c)	(c)	2422.3	2501.70	18/2/97	2098.15	17/7/96
All Mining(1/1/80)	(c)	(c)	934.1	1118.40	6/5/96	903.80	13/12/96
Austria							
Credit Aktien(30/12/84)	(c)	(c)	409.06	416.23	11/3/97	349.19	6/9/96
Traded Index(2/1/91)	(c)	(c)	1215.24	1266.43	11/3/97	979.27	2/1/96
Belgium							
BEL20(1/1/91)	(c)	(c)	2146.37	2220.77	11/3/97	1574.99	2/1/96
Brazil							
Bovespa(29/12/83)	(u)	(c)	(c)	8595.00	11/3/97	4288.90	2/1/96
Canada							
Metals Minls♦(1975)	(u)	(c)	5362.22	5801.76	10/3/97	4687.47	15/1/96
Composite♦(1975)	(u)	(c)	5931.80	6032.90	10/3/97	4739.70	15/1/96
Portfolio§§(4/1/83)	(u)	(c)	3001.45	3214.10	10/3/97	2327.39	12/1/96
Chile							
IGPA Gen♥(31/12/80)	(u)	(c)	5295.23	6804.33	8/1/96	4968.17	18/12/96
Denmark							
CopenhagenSE(3/1/83)	(c)	(c)	(c)	555.48	11/3/97	388.40	2/1/96
Finland							
HEX General(28/12/90)	(c)	(c)	(c)	3005.36	11/3/97	1651.67	10/1/96
France							
SBF 250(31/12/90)	(c)	(c)	1783.23	1818.36	10/3/97	1250.16	2/1/96
CAC 40(31/12/87)	(c)	(c)	2656.68	2709.21	10/3/97	1897.86	11/1/96
Germany							
FAZ Aktien(31/12/58)	(c)	(c)	1186.24	1192.09	11/3/97	818.58	2/1/96
Commerzbank(1/12/53)	(c)	(c)	3472.2	3472.20	27/3/97	2370.10	2/1/96
DAX(30/12/87)	(c)	(c)	3429.05	3460.59	11/3/97	2284.86	2/1/96
Greece							
Athens SE(31/12/80)	1368.82	1339.76	1295.37	1460.80	20/3/97	872.90	7/8/96
Hong Kong							
Hang Seng(31/7/64)	(c)	(c)	12534.32	13800.20	20/1/97	10204.90	2/1/96
India							
BSE Sens.(1979)	3360.89	3663.53	3735.58	4080.28	18/6/96	2745.06	4/12/96
Indonesia							
Jakarta Comp.(10/8/82)	(c)	(c)	662.23	712.80	28/2/97	512.48	2/1/96
Ireland							
ISEQ Overall(4/1/88)	(c)	(c)	2096.43	3069.63	11/3/97	2234.61	2/1/96
Italy							
Banca Comm Ital(1972)	(c)	740.82	754.70	797.71	10/2/97	572.21	27/3/96
MIB General(2/1/97)	(c)	1114.0	1135.0	1197.00	10/2/97	991.00	2/1/97
Japan							
Nikkei 225(16/5/49)	18003.40	18189.72	18210.42	22666.80	26/6/96	17303.70	10/1/97
Nikkei 300(1/10/82)	263.91	285.19	288.44	319.70	26/6/96	251.04	27/1/97
Japan							
Topix(4/1/68)	1373.36	1378.71	1382.58	1722.13	26/6/96	1326.80	27/1/97
2nd Section(4/1/68)	1843.71	1845.70	1848.18	2251.46	27/6/96	1838.86	13/3/97
Malaysia							
KLSE Comp.(4/4/86)	1203.10	1217.54	1223.31	1271.57	25/2/97	990.18	2/1/96
Mexico							
IPC(Nov 1978)	(u)	(c)	(c)	3808.69	25/2/97	2738.38	8/3/96
Netherlands							
CBS TtlRtnGen(End 83)	(c)	(c)	857.8	889.70	11/3/97	639.50	2/1/96
CBS All Shr(End 83)	(c)	(c)	503.0	519.80	11/3/97	326.70	2/1/96
New Zealand							
Cap. 40(1/7/86)	(c)	(c)	2236.74	2440.21	20/1/97	2025.14	7/6/96
Norway							
Oslo SEInd(2/1/83)	(c)	(c)	(c)	1041.49	20/2/97	1259.88	30/1/96
Philippines							
Manila Comp(2/1/85)	3222.98	(c)	(c)	3447.60	3/2/97	2578.97	2/1/96
Portugal							
BVL 30(4/1/93)	(u)	(u)	2580.45	2843.10	11/3/97	1602.81	2/1/96
Singapore							
SES All-S'pore(2/4/75)	516.81	(c)	522.42	610.37	5/2/96	503.78	21/10/96
South Africa							
JSE Gold(28/9/78)	(c)	(c)	1301.6♥	2030.40	29/5/96	1301.60	27/3/97
JSE Indl.(28/9/78)	(c)	(c)	8339.4♥	8739.30	25/1/96	7659.90	17/12/96
South Korea							
KoreaCmpEx*(4/1/80)	677.34	652.87	681.65	986.84	7/5/96	611.05	7/1/97
Spain							
Madrid SE(30/12/85)	(c)	(c)	(c)	469.60	10/3/97	323.75	11/1/96
Sweden							
AffarsvaldsGen(1/2/37)	(c)	(c)	2783.4	2832.40	10/3/97	1708.60	22/1/96
Switzerland							
Swiss Bk Ind(31/12/58)	(c)	(c)	2217.01	2224.80	10/3/97	1516.19	17/1/96
SBC General(1/4/87)	(c)	(c)	1549.78	1557.81	11/3/97	1114.47	26/1/96
Taiwan							
WeightedPr.*(30/6/66)	8004.20	8119.70	8089.71	8526.20	18/3/97	4690.22	6/2/96
Thailand							
Bangkok SET(30/4/75)	705.43	709.09	712.61	1416.04	6/2/96	676.65	6/3/97
Turkey							
IMKB Nat 100(1986)	1613.00	1552.00	1511.00	1700.80	27/1/97	388.00	2/1/96
WORLD							
MS Capital Intl(1/1/70)	(u)	828.2*	828.9	854.40	25/2/97	725.90	15/1/96
CROSS-BORDER							
Eurotrack 100(26/10/90)	(c)	(c)	2188.61	2231.93	11/3/97	1504.40	11/1/96
Euro Top-100(26/6/90)	1856.28	1857.28	1858.90	1894.47	11/3/97	1333.01	11/1/96
HSBC JC Drgn(31/12/88)	(u)	(u)	400.34	428.45	20/1/97	344.19	2/1/96
ING Brngs Emrg(7/1/92)	(u)	175.56†	175.39	181.33	26/2/97	147.35	2/1/96

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x Index)							
Mar	2649.0	2679.6	+30.6	2683.0	2648.0	22,249	21,496
Apr	2649.0	2658.0	+8.0	2681.0	2649.0	794	20,967
■ DAX							
Jun	3475.0	3424.0	-31.0	3475.0	3416.5	19,743	154,288
Sep	3500.5	3449.5	-22.0	3500.0	3458.5	768	4,465
■ OMX							
Mar	2175.00	2180.81	+13.81	2184.00	2174.25	2,071	7,568
Apr	2169.00	2172.00	+18.00	2178.50	2162.00	2,802	24,886
■ SOFFEX							
Apr	4635.0	4657.0	+32.0	4672.5	4616.5	3,888	25,849
May	-	4634.0	-	-	-	1	1,139

* Sat Mar 22: Taiwan Weighted Price 8234.07; Korea Comp Ex 823.13. Base values of all indices are 100 except Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; IMKB Nat 100 - 1; NYSE All Common - 50; Standard & Poor's - 10 and Amex Comp - 680. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 27 - 3407.80 -31.30. † Correction. ' Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Mar 27	Mar 26	Mar 25	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Industrials	6740.59	6880.70	6876.17	7085.16 (11/3/97)	5032.94 (10/1/96)	7085.16 (11/3/97)	41.22 (8/7/32)
Home Bonds	102.10	102.18†	102.57	106.09 (14/2/96)	100.99 (15/7/96)	106.77 (18/10/93)	54.99 (1/10/81)
Transport	2404.39	2435.68	2415.64	2469.59 (18/3/97)	1882.71 (18/1/96)	2469.59 (18/3/97)	13.23 (8/7/32)
Utilities	219.12	223.24	224.08	240.86 (22/1/97)	204.86 (30/7/96)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6916.47(6954.72) Low 6654.86(6811.21) (Theoretical♠)
Day's high 6891.28(6915.07) Low 6663.32(6846.33) (Actual♠)

Standard and Poors	Mar 27	Mar 26	Mar 25	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Composite‡	773.88	790.50	789.07	816.29 (18/2/97)	598.48 (10/1/96)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials♥	907.41	925.39	920.14	950.96 (18/2/97)	702.07 (15/1/96)	950.96 (18/2/97)	3.52 (30/6/32)
Financial	88.03	90.80	92.25	97.25 (10/3/97)	58.67 (10/1/96)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	407.43	415.37	415.41	427.70 (10/3/97)	321.41 (10/1/96)	427.70 (10/3/97)	4.84 (25/4/42)
Amex Comp.	577.50	583.07	586.18	617.61 (22/5/96)	524.20 (16/7/96)	617.61 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1249.51	1269.06	1248.06	1388.06 (22/1/97)	988.57 (15/1/96)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Mar 21	Mar 14	Mar 7	Year ago
Dow Jones Ind. Div. Yield	1.89	1.95	1.93	2.13
	Mar 26	**Mar 18**	**Mar 12**	**Year ago**
S & P Ind. Div. yield	1.77	1.78	1.74	1.87
S & P Ind. P/E ratio	22.54	22.38	22.61	21.21

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Micron Tech	5,879,700	40¼	-¼
PG&E Corp	4,389,000	23¼	-½
Coca Cola	3,913,800	57¼	-1¼
Wal-Mart	3,742,200	29	-½
Chgo Bridge	3,524,300	18	----
Pepsico	3,218,800	33⅞	+⅛
Exxon	3,083,600	108	-1⅝
Medtronic	2,976,800	62¼	+4¼
Chase Man	2,952,000	96½	-3⅝
Motorola	2,870,400	60⅝	-1⅜

■ TRADING ACTIVITY

● Volume (million)	Mar 27	Mar 26	Mar 25
New York SE	481.307	477.022	474.535
Amex	23.439	21.401	14.487
NASDAQ	591.873	602.259	557.944
NYSE			
Issues Traded	3,310	3,325	3,303
Rises	612	1,307	1,300
Falls	2,108	1,158	1,167
Unchanged	680	860	836
New Highs	50	71	68
New Lows	67	48	58

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Jun	773.00	775.50	-22.70	777.00	771.25	71,673	176,925
Sep	784.20	783.35	-22.95	784.40	779.50	267	4,266

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Jun	18090.0	17850.0	-360.0	18230.0	17780.0	13,046	234,586
Sep	18150.0	18060.0	-90.0	18200.0	18060.0	0	2,722

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Monday, March 31, 1997

	Stocks Traded	Closing Prices	Change on day
Pacific Ind	4.9m	745	-34
Nippon Credit Bnk	4.6m	280	-9
Fuji Bank	4.0m	1430	-10
Mitsubishi Hvy	3.4m	805	-15
Sakura Bank	2.9m	693	-21
Bnk Tokyo M'bishi	2.9m	1980	-30
Toshiba	2.8m	684	-6
Sumitomo Bnk	2.8m	1470	-80
Yasuda T&B	2.6m	345	-76
Daido Steel	2.5m	685	-76

WORLD STOCK MARKETS

Rate worries conspire against Dow

AMERICAS

US shares tumbled for a second consecutive session as a combination of worries about weak earnings and higher interest rates upset the market, *writes Lisa Bransten in New York.*

At noon, the Dow Jones Industrial Average was off 123.13 at 6,617.46 and the Standard & Poor's 500 lost 12.33 at 761.55.

Technology shares ware also much lower. The Nasdaq composite, weighted toward the sector, dropped 21.16, or 1.7 per cent, et 1,228.51 and the Pacific Stock Exchange technology index, which contains Nasdaq and NYSE-quoted shares, was 1.5 per cent lower.

Stronger than expected data contributed to a growing consensus that last week's interest rate increase was the first in a series of tightenings, rather than a one-off event.

Financial stocks added to their string of losses. Among Dow constituents, American Express dropped $2¼ to $59⅞. JP Morgan shed $4 at $98⅞ and Travelers Group was $2¼ weaker at $48⅞.

Reader'e Digest lost $3⅞, or 11 per cent, at $29⅝ after warning that third-quarter earnings would be below analysts' expectations.

Ascend Communications, a computer networking company, tumbled $11¼, or 22 per cent, to $40⅞ on news that it would ecquire another networking company, Cascade Communications. Cascade lost $1⅞ at $26⅞.

Columbia/HCA Healthcare, the largest private hospital company in the US, elumped $5¼ at $32⅝ as several government agencies investigated whether it may have overbilled the government for some services.

TORONTO tumbled et midsession, following Wall Street and leaving the TSE-300 down 73.25 at 5,858.50. Trade in Bre-X Minerals was again halted, pending news. However, traders said the number of orders backlogged on the stock should spur e lively session if trading resumed.

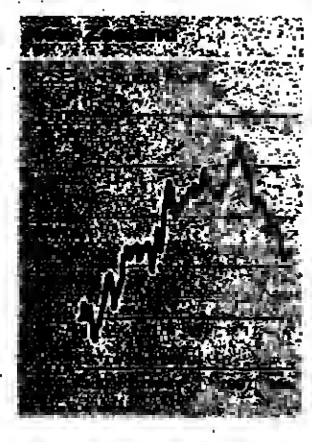
Latin American markets were also heavily influenced by the Dow. **SAO PAULO** tumbled 2.5 per cent at midsession, with the Bovespa index down 235 at 9,037, while in **MEXICO CITY**, the IPC index lost 60.84, or 1.6 per cent, to 3,782.10.

Dismal results add to gloom in New Zealand

Inflationary fears and an erratic Dow have contributed to the pressure on equities, writes Terry Hall

A string of dismal profit results, rising interest ratas and skittish behaviour on Wall Street have taken their toll on New Zealand equities.

On Easter Thursday, the NZSE 40 capital index picked up 15.87 to 2,236.74. However, this was 208 points below its high for the year on January 20. The sustained fall over the past two months follows a strong rally on last October's election of the National Party dominated coalition government and signs that interest rates were about to fall sharply.



Gloom began to descend when the Reserve Bank made it apparent it had no intention of relaxing monetary policy because of its inflationary fears ahead of the new government's pledge to hold a binding referendum in September on compulsory superannuation.

Then came a string of lacklustre profit results, the majority of which were far worse than analysts had been predicting. Most companies blamed the Reserve Bank's high domestic interest rate policy. This has attracted large-scale inflows of foreign capital and has pushed the exchange rate to seven-year highs.

Less than impressive results were seen in virtually every sector of the economy and included the country's biggest company, Telecom, the four Fletcher stocks, Brierley Investments, Air New Zealand, the forestry group Carter Holt Harvey, Wilson and Horton in publishing, and Australasian brewery giant Lion Nathan.

Trading was tough on the domestic market in the six months to December 31 because of e slowdown in consumer spending which reflected wage restraint and continued high borrowing and mortgage costs. Latest statistics suggest that the slowdown is intensifying due to the cancellation of a promised round of tax cuts this year, while personal indebtedness is rising.

Exporters are suffering from the strong New Zealand dollar which has been described as overvalued by many observers, including the Reserve Bank governor Mr Don Brash.

Most locally based agricultural and manufacturing exporters are feeling the pinch, as are groups such as Lion Nathan and Air New Zealand which earn much of their profit from international operations and which suffer when these are converted back to the New Zealand currency.

Vulnerability to sentiment on Wall Street has also been reflected in highly volatile trading in shares such as Telecom, 88 per cent owned by American and other overseas investors. Telecom had a roller-coaster ride during February and March as it slipped from NZ$7.60 to NZ$6.29 before picking up to NZ$6.57 last Thursday.

Big sell orders from the US have been absorbed by the company's NZ$1bn share buy-back programme. Investor confidence was shaken by a poorer than expected half-year result, signs of growing competition in the sector and the company's decision to quit e loss-making Australian subsidiary.

Other eizeable falls have been seen in Fletcher Challenge Energy and Fletcher Challenge Building.

Brierley Investments has proved largely immune to the sell-down, trading largely unchanged at between NZ$1.30 and NZ$1.37. This has been due to the improving performance of its Thistle Hotels associate in the UK and sizeable paper profits from its investments in the Australian companies John Fairfax, Coles Myer and James Hardie.

Prices of many stocks appear to have stabilised over tha past fortnight in spite of the volatility on Wall Street. Many brokers are arguing that yields have now fallen to a level where prices appear reasonably secure.

The poor immediate earnings outlook and recent rises in interest rates appear likely to continue to dampen sentiment, but, on a more positivs note, there is a widespread view that the Kiwi dollar could drop sharply by mid-year which would boost tha attractiveness of export stocks.

Bombay plunges 8.3% as government hits crisis

ASIA PACIFIC

A political crisis dragged **BOMBAY** down 8.3 per cent as the 10-month-old administration of Prime Minister H.D. Deve Gowda faced a challenge for power from a former coalition partner. The Congress party withdrew its support for the government, accusing it of not going far enough to counter the Hindu nationalist Bharatiya Janata Party.

The BSE-30 index dropped 302.64 to 3,360.89, its fourth-largest single-day fall ever.

Analysts noted that the crisis had erupted only days after the government raised international equity of more than $500m in VSNL, the telecommunications company, and was bound to delay plans to sell equity in other state companies.

TOKYO was driven down by heavy selling of real estate and bank shares in thin trading on the last day of Japan's 1996 business year, *writes Gwen Robinson.*

The Nikkei 225 average fell 186.82 to 18,003.40, after tumbling briefly to the day'e low of 17,793.18 and rising to a high of 16,204.82. Volume slipped to an estimated 200m shares from Friday's 259m.

Many foreign investors were ebsent for the Easter holidays in the US and Europe, while domestic investors were reluctant to take large positions on the last day of the business year.

Further uncertainty stemmed from the government's planned announcement after the market closed of e series of measures to revive the property market and help banks and financial institutions securitise real estate collateral.

Some investors were also waiting for the mid-week release of the Bank of Japan's widely watched "tankan" survey of business sentiment, expected to show slight improvements in earnings projections and capital investment plans.

Declines led advances 687 to 411, with 172 issues unchanged. The Topix index of all first-section stocks fell 5.45 to 1,373.26 and the capital-weighted Nikkei 300 was off 1.28 et 263.91.

Real estate issues were among the day's biggest losers, falling nearly 4 per cent on leaked reports of the government's property market package.

Analysts noted that the package contained no surprises, and that measures such as the allocation of public funds to buy plots of land and steps to encourage the securitisation of property-related loans had already been factored into the market. Mitsubishi Estate fell Y80 to Y1,320 and Mitsui Fudosan Y40 to Y1,280.

Banking shares also fell steeply after swinging wildly last week on concern about the possible spill-over effect of Nippon Credit Bank's problems. Reports on Monday that the government was planning to ask commercial banks to contribute to a massive rescue package for NCB dragged down leading banks. Bank of Tokyo-Mitsubishi fell Y30 to Y1,930, Sakura Bank Y21 to Y693, and Industrial Bank of Japan Y40 to Y1,260.

Blue chips, meanwhile, were mixed. TDK fell Y50 to Y8,500 and Fujitsu added Y20 to Y1,260. Toyota rose Y20 to Y3,130 and Honda retreated Y50 to Y3,690.

In Osaka, the OSE everage fell 73.20 to 19,161.92 and volume shrank to 198m shares.

SINGAPORE drifted 1.2 per cent lower and further falls were forecast later in the week in the absence of news at home or abroad to stimulate the market. The Straits Times Industrial index fell 25.92 to 2,073.00.

Losers swamped gainers by 328 to 46, but in very low volume of 117.1m shares.

Among the losers, DBS Bank's foreign share tranche fell 70 cents to S$16.80. In contrast, OCBC Bank rose 35 cents to S$9.45 on news of a one-for-five bonus issue.

KUALA LUMPUR lost 1.2 per cent as central Bank Negara announced proposals to tighten loans for property and share buying and maintain a tight monetary policy.

The composite index lost 14.54 at 1,208.10, led down by a 3.5 per cent fall in the property sector.

Analysts said that Bank Negara's decision to maintain its tight monetary policy had dashed many investors' hopes of an easing in the second half of the year.

SEOUL was higher on expectations, confirmed after the market closed, of a long-awaited increase in the foreign stock ownership ceiling. The composite index closed 10.15, or 1.5 per cent, higher at 677.34 as investors ectively bought shares which were favoured by foreign investors.

Among blue chips expected to do best from the higher ceiling, Samsung Electronics rose Won700 to Won59,900, SK Telecom by Won30,000 to Won495,000, Kookmin Bank by Won300 to Won12,300 and Shinhan Bank by Won400 to Won10,700.

TAIPEI was was hit by a sharp pull-back in the plastics sector amid controversy over Formosa Plastics' plan to finance a $3bn power plant investment in China, in contravention of government policy.

The weighted index slumped more than 2 per cent in late trade, but recovered slightly to close 115.5 points, or 1.42 per cent, lower at 8,004.2 in active turnover of T$126.7bn. The four Formosa group companies fell, although late bargain-hunting helped the shares up from lows. Formosa Plastics lost T$1 to T$69.5 and Nan Ya Plastics dropped T$2 to T$62.

BANGKOK was lower as interest rate, economic and quarterly results concerns sparked sales of finance and bank stocks.

The SET index fell 3.66 to 705.43, but in turnover that slid to just Bt1.4bn.

KARACHI lost 1.4 per cent as retail investors squared positions in the overbought market ahead of today's settlement. The KSE-100 index lost 23.03 at 1,575.91.

MANILA saw a 7.4 per cent tumble in its mining index as doubts raised over the Busang gold find in Indonesia spilled over to the sector. The broad market, however, recovered from a fall of 22 points et midsession to close flat with the composite index just 0.16 easier at 3,222.98.

The recently volatile DHAKA market ran into profit-taking, particularly by small investors, after its 17.8 per cent surge over the previous three sessions. The all-share index lost 66.28, or 5.2 per cent, to 1,196.78.

Madrid weak on quiet day as Istanbul jumps 3.9%

EUROPE

Most European bourses remained closed for Easter. **MADRID**, however, fell 1.6 per cent, reflecting losses on Wall Street last Thursday and in morning trade yesterday. The general index lost 7.51 to 473.06, but turnover was just Pta21.3bn, compared with a typical daily value of Pta80bn-Pta90bn.

ISTANBUL jumped 3.9 per cent, in spite of some profit-taking, as the market put aside some of its recent political worries. The IMKB National-100 index picked up 61 to 1,613, after a morning high of 1,620.

ATHENS added to Friday's 3.4 per cent gain with another of 2.3 per cent in further response to lower interest rates. The general index finished 30.56 higher at 1,368.82, off a high of 1,391.42.

TEL AVIV was higher, although some analysts said that the advance was exaggerated by the day's low turnover of Shk76m. The Mishtanim index finished up 3.21 at 245.64.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MARCH 28 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY MARCH 27 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (78)	220.64	0.3	200.16	172.76	192.27	187.09	0.0	4.08	219.96	200.08	171.93	191.85	187.09	225.77	188.44	200.18
Austria (24)	186.55	0.1	169.24	146.07	162.57	162.54	0.0	1.79	186.45	169.59	145.72	162.60	162.54	195.04	174.70	183.68
Belgium (26)	237.99	0.0	215.90	186.35	207.39	203.04	0.0	3.44	237.89	216.37	185.98	207.48	203.04	241.54	204.91	204.99
Brazil (28)	236.93	-0.0	214.94	185.52	206.47	461.75	-0.0	1.12	236.93	215.50	185.18	206.65	461.75	247.28	149.69	154.42
Canada (114)	188.28	-0.3	170.80	147.43	164.07	188.22	0.0	2.07	188.78	171.71	147.55	164.64	188.22	203.51	154.12	157.02
Denmark (32)	367.01	0.1	332.95	287.38	319.82	318.78	0.0	1.57	366.82	333.64	286.69	319.90	318.78	378.98	297.89	294.01
Finland (28)	258.47	0.1	234.48	202.39	225.24	269.95	0.0	1.89	258.29	234.94	201.88	225.26	269.95	288.58	174.47	179.74
France (91)	225.57	0.1	204.64	176.63	196.57	198.76	0.0	2.66	225.28	204.92	176.08	196.46	198.76	225.82	186.94	182.07
Germany (59)	206.68	0.1	187.50	161.84	180.11	180.11	0.0	1.50	206.52	187.85	161.41	180.11	180.11	208.68	164.47	174.10
Hong Kong (59)	455.85	-0.0	413.54	356.94	397.24	453.53	0.0	3.48	455.87	414.64	356.29	397.57	453.53	514.49	407.55	434.39
Indonesia (27)	232.54	0.0	210.96	182.09	202.64	342.52	0.0	1.55	232.49	211.47	161.71	202.76	342.52	-	-	-
Ireland (16)	331.13	0.4	300.40	259.28	288.55	295.62	0.0	3.25	329.93	300.09	257.86	287.75	295.82	343.35	282.34	262.34
Italy (59)	85.55	-1.9	77.61	66.99	74.55	106.95	-1.9	2.14	87.20	79.32	68.16	76.05	109.04	98.32	71.21	71.21
Japan (480)	113.79	-0.0	103.23	89.10	99.16	89.10	-0.4	0.88	114.47	104.12	89.47	99.83	89.47	154.68	109.16	153.67
Malaysia (107)	619.55	-0.6	562.05	485.12	539.89	592.11	-0.5	1.07	623.44	567.06	487.28	543.71	595.20	660.85	512.47	550.25
Mexico (27)	1368.66	-0.2	1241.64	1071.70	1192.70	11854.66	0.0	1.11	1371.95	1247.88	1072.28	1196.49	11854.66	1445.68	1110.35	1199.67
Netherland (19)	351.63	0.1	319.00	275.34	306.42	302.49	0.0	2.55	351.33	319.56	274.59	306.40	302.49	357.18	278.88	285.43
New Zealand (14)	84.81	-0.1	76.93	66.41	73.90	64.83	0.0	4.39	84.65	77.17	66.31	74.00	64.83	95.60	75.94	81.99
Norway (41)	312.14	0.1	283.17	244.41	272.01	280.86	0.0	2.18	312.00	283.78	243.85	272.10	280.88	321.23	236.19	236.74
Philippines (22)	195.24	-0.1	177.12	152.88	170.14	256.61	0.0	0.88	195.44	177.77	152.75	170.46	256.81	-	-	-
Singapore (43)	389.42	-0.1	353.28	304.93	339.35	259.76	0.0	1.08	389.83	354.57	304.68	339.97	259.78	449.15	371.28	438.98
South Africa (44)	360.58	0.0	327.12	282.35	314.22	348.31	0.0	2.41	360.55	327.94	281.80	314.44	348.31	388.46	301.49	382.52
Spain (35)	218.55	0.0	198.26	171.13	190.45	235.22	0.0	2.70	218.50	198.74	170.78	190.56	235.22	228.16	170.54	170.54
Sweden (49)	444.47	0.1	403.22	348.03	387.33	497.94	0.0	2.09	443.82	403.68	346.88	387.06	497.94	448.64	334.04	348.85
Switzerland (36)	260.80	0.2	236.59	204.21	227.27	234.36	0.0	1.36	260.26	236.72	203.41	226.98	234.36	260.80	229.36	249.54
Thailand (44)	80.45	-0.9	72.99	63.00	70.11	81.14	-1.0	3.96	81.22	73.87	63.48	70.83	81.94	187.79	73.98	177.08
United Kingdom (212)	281.66	0.3	255.52	220.55	245.45	255.52	0.0	3.85	280.92	255.52	219.56	245.00	255.32	285.30	226.87	226.87
USA (654)	314.29	0.0	285.12	246.10	273.88	314.29	0.0	1.92	314.29	285.87	245.64	274.10	314.29	331.54	254.79	284.77
Americas (823)	287.65	0.0	260.95	225.24	250.66	242.19	0.0	1.91	287.69	261.67	224.85	250.90	242.19	303.45	233.09	241.83
Europe (727)	247.92	0.1	224.91	194.13	216.05	226.97	-0.1	2.72	247.74	225.34	193.63	216.06	227.17	248.97	204.71	206.01
Nordic (150)	381.63	0.1	346.21	298.83	332.57	366.41	0.0	1.97	381.21	346.74	297.95	332.48	365.41	385.85	298.54	293.59
Pacific Basin (872)	133.76	-0.5	121.34	104.74	116.56	103.45	-0.3	1.41	134.37	122.22	105.02	117.19	103.79	177.01	131.50	788.91
Euro-Pacific (1599)	161.34	-0.1	164.51	141.99	158.02	150.07	-0.2	2.18	161.62	165.15	141.95	158.38	150.38	191.51	176.79	183.10
North America (768)	306.58	0.0	278.13	240.06	267.17	305.96	0.0	1.93	306.62	278.89	239.65	267.41	305.95	323.69	248.65	258.10
Europe Ex. UK (515)	223.96	0.0	203.18	175.37	195.17	206.40	-0.1	2.10	224.04	203.78	175.10	195.39	206.68	224.04	186.65	189.31
Pacific Ex. Japan (392)	300.78	-0.1	272.86	235.52	262.11	260.78	-0.1	2.87	301.00	273.78	235.26	262.51	261.07	320.65	268.97	289.58
World Ex. US (1812)	184.70	-0.2	167.56	144.63	160.96	155.95	-0.2	2.14	184.99	168.26	144.58	161.33	156.23	193.47	179.10	184.37
World Ex. UK (2254)	220.58	-0.1	200.11	172.72	192.22	196.90	-0.1	1.84	220.65	200.88	172.61	192.60	196.11	228.59	199.58	207.29
World Ex. Japan (1986)	282.97	0.0	256.70	221.57	246.59	272.20	0.0	2.25	282.94	257.35	221.14	246.75	272.31	292.72	233.10	239.85
The World Index (2466)	225.76	-0.1	204.82	176.79	196.75	201.35	-0.1	2.04	225.97	205.53	176.61	197.07	201.52	233.38	202.82	209.10

Latest prices were unavailable for this edition. Markets open 28/3/97: Italy, Japan, Malaysia and Thailand.

3:15 pm March 31

NEW YORK STOCK EXCHANGE PRICES

1996/97 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32	24¼	AAR	0.48	1.6	24	363	29¾	29⅜	29⅝	+⅛
46⅛	33	AMP	1.04	3.1	25	12084	34⅝	33⅞	34	-⅛
97½	68	AMR			6	5828	84⅝	82⅛	82¾	-1¾
38½	33¼	ASA	1.20	3.6	22	315	33⅞	33½	33¾	
60½	35⅛	AbbtL	1.08	1.9	23	6978	58⅞	56⅝	57	-1
17½	12¼	Abitibi Pr x	0.40	2.0	7	289	15¼	14½	14½	-⅜
20¼	13½	ABM Ind	0.40	2.1	17	141	19¼	18⅞	18⅞	-⅜
23	13⅞	Acptacoin			9	435	18⅝	18¼	18¼	-⅛
68¾	37¾	ACE Ltd x	0.72	1.1	16	806	63¾	62¾	63⅝	+⅛
18⅝	6⅛	ACM Gvt In	0.80	8.7	11	307	18⅛	10¼	10¼	
7⅞	6⅝	ACM GvOpp	0.63	0.7		146	7⅜	7¼	7¼	
9⅞	6⅝	ACM Man	0.90	9.4		172	u9⅞	9⅝	9⅝	-⅛
13⅞	0¼	Acme Elect				164	6⅝	9¼	6¼	-⅛
21⅝	13⅞	Acme Mills			58	20	15¼	15⅝	15¼	+⅛
33¾	27¼	Acordia	0.80	2.5	15	114	32¾	32½	32½	
29¾	12	Acuson				670	24⅞	23⅝	23⅝	-1
01¼	17⅞	Adams Expr	0.08	0.7	1	321	20½	20¼	30¼	-⅛
48½	10¼	Adflex				22812	42⅜	40	41½	+⅛
15	8½	Advant Sep x			8	124	12⅛	11⅞	12	-⅝
28⅛	9½	Advo Inc			68	131	12	11½	11½	-½
73⅝	41¼	Aegon	1.18	1.7	20	65	68⅞	69⅛	69¼	-⅛
8¾	3½	Aerflx				13	3¾	3⅝	3¾	+⅛
67⅞	40⅛	AES Corp				20	58¼	38¼	58¼	-1¾
93⅝	57⅝	Aetna	0.80	8.8	63	3916	87¼	85⅜	86⅞	-½
44	35¼	Aflac	0.40	1.5	1x	1806	40½	28¾	40	-½
22	17⅛	AGL Res	1.08	5.8	13	319	19½	18⅝	18¾	-⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Continued on next page

NYSE PRICES

3:15 pm March 31

Continued from previous page

Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close	Chng
25¾ 5⅞ ZnithEl				290	10⅝	10¼	10¼	-¼
28⅞ 21⅛ Zenith Nat	1.00	3.7	12	161	28⅞	26¾	26⅞	
7½ 6½ Zeolk Inc	0.73	9.9		122	7⅜	7¼	7⅜	
23¾ 15⅛ Zero	0.12	0.6	15	26	19¾	19⅝	19⅝	+⅛
11⅝ 10½ ZweigFd♣	1.19	10.5		551	11⅛	11	11	
8 9 Zweig Tot	0.64	9.9		501	6½	6⅜	6½	+⅛

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ss-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

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AMEX PRICES

3:15 pm March 31

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
NY TimA	0.60	23	1409	44⅞	43⅞	44¼	-1¼
NVR		8	686	15¼	16	16⅛	-¼
Pegasus B		36	947	8⅛	7⅞	8	-⅛
Pacini		3	145	7	6	7	+⅛
PMC x	1.24	11	30	13¾	13½	13⅝	-⅛
RegalBrad			z1	27½	d27½	27½	
SJW Corp	2.20	22	6	49¾	49½	49¾	+½
Tab Prods	0.20	14	72	10¼	10	10¼	-⅛
Tel&Data x	0.42	38	z1	39⅜	39⅜	39⅜	-1
Thermedics x		28	387	18¾	d18⅛	18⅛	-⅞
Thermoins		25	323	30¼	29⅞	29½	-1
TotPNA	0.30	149	122	10⅞	10½	10½	-½
TownCntry		8	20				
Triton Gp			158				
Tubos Mex			1387	17½	17⅝	17⅛	-⅛
UtdFoodsA		26	20	1⅜	1⅜	1⅜	
UtdFoodsB			z0				
US Cellul		16	182	25⅝	d25	25⅛	-⅜
ViacomA		108	299	33	32½	32⅝	-⅛
ViacomB		110	8102	33⅜	32⅞	33	-⅛
WRET	1.12	19	z0	12⅞	12¾	12¾	-¼
Xytronix			21		1⅛		

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Bowmar	1.00	11	20				
Bowne	0.36	7	229	27¾	27	27⅛	-½
Brascan A	1.04	27	52	22¾	22⅝	22⅛	-½
Cambrex	0.20	14	65	34	33¾	33⅞	
CnFdCsA♣	0.01		138		4⅜		
Cominco♣		18	30	27¾	26⅞	27⅛	-⅞
CompTch			29	10	9½	9⅝	
Computrac			45	1¼	d1⅛	1¼	-⅛
Consd RhA		19	z0	6¾	6¾	6¾	
Frequency	0.60	11	8	11	10⅞	10⅞	-⅛
Garan	0.80	13	22	18⅛	18	18	-¼
GetchellG			1945	42	40¾	40¾	-1¼
Giant FdA	0.76	32	586	32¼	31⅞	32	-½
Glatfltr	0.70	11	123	16⅝	16⅝	16⅝	-¼
Goldfield			10	¾	d¾	¾	
HanDir			524	¾			
Maxxam		18	63	45⅜	45⅜	45⅜	-½
Media A	0.52	10	197	29¾	28⅝	28¾	-¾
Micromedia			1869	9⅜	8¾	8⅞	
MitaLd			2100	8⅛	8½	8⅛	-¼
Moog A		14	12	22⅞	22¾	22⅞	+⅜
MSR Expl			691	d1⅛	1	1	
NatPatDev		3	284	8⅝	d8	8	-⅛

NASDAQ NATIONAL MARKET

3:15 pm March 31

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
K Swiss x	0.08	114	39	12⅝	12	12⅝	+⅜
Kaman Cp x	0.44	12	368	13⅝	13¼	13¾	-¼
Kelly Sv	0.84	13	146	27¼	26½	26⅜	
Kimball x	1.04	14	309	38	36½	37¾	
KLA Instr		17	10807	38½	35⅝	37	-1¼
Koll A			98				
Komag♣		14	4492	30¾	29¼	30¼	+¼
Kulicke S			2789	21⅞	21	21⅞	-⅜
Laboné	0.72	76	17	16¾	16¼	16¾	+⅛
Ladd Furn		27	15	14½	14½		-¼
Lam Rsch		11	15557	35⅛	32¾	34½	
Lancaster x	0.72	18	194	46	45½	45⅞	+⅛
Lance ♣	0.96	21	116	18¼	17¾	18	-¼
Rainbow♣		13	58	17⅜	16⅞	17¼	+⅛
Rallys			1859	4	3⅞	3½	-½
Raymond x	0.25	13	1114	28	27⅞	27⅞	+⅛
RCSB Fin	0.08	11	1171	31¼	28	20½	-½
Read-Rite			19531	27⅛	25½	26¼	-¾
Recoton		12	83	13⅜	13⅛	13⅜	
RegFinCp x			2106	59⅜	56¼	58½	-3
Repligen			360	1⅜		1¼	-¼
Repub Ind			18942	32¾	31⅜	32⅝	-⅛
ResechMed		23	z0	23¼	23¼	23¼	
Xilinx♣		28	21584	50⅛	47½	48	-1½
Xircom		27	2659	18¾	15	15⅝	
Xoma Corp			2215	5¾	5½	5.61	
Yellow			5760	18⅝	18½	18½	
York Rsch		18	195	8	7¾	7¾	-¼
ZionsBah	1.76	17	689	124	118¾	120	-2⅝

EASDAQ

EASDAQ is a fully registered independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$8.125		0	8.25	8	Espel Telecom ADS	US$12.125		1000	12.5	12
Artwork Systems	US$10.75		36900	11.375	10.25	Infogenetics	US$12.25		6265	12.625	10.5
Chemunex	FFr18		217280	19	17	Mercer Intenatl.	US$9.625		0	11.375	9
Dr Solomon's ADS	US$22.25	+0.25	8	z0	20.875	PixTech	US$4.625		8500	6.25	4.375

Prices for 27/3/97. Please note that trading prices are currently used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990).

FT GUIDE TO THE WEEK

TUESDAY 1

Russia-Belarus summit
Boris Yeltsin, the Russian president, welcomes his counterpart from Belarus, Alexander Lukashenko, at the Kremlin. The leaders will discuss closer integration of the neighbouring states. However, Mr Yeltsin fears the cost and Mr Lukashenko is unenthusiastic about abdicating his presidency. The summit takes place against a backdrop of pro-democracy protests in Minsk. Mr Lukashenko, whose tilt towards authoritarianism has been vociferously condemned by Washington, last week arrested political opponents and expelled a US diplomat. More surprisingly, Moscow also criticised Mr Lukashenko for cracking down on Russian journalists.

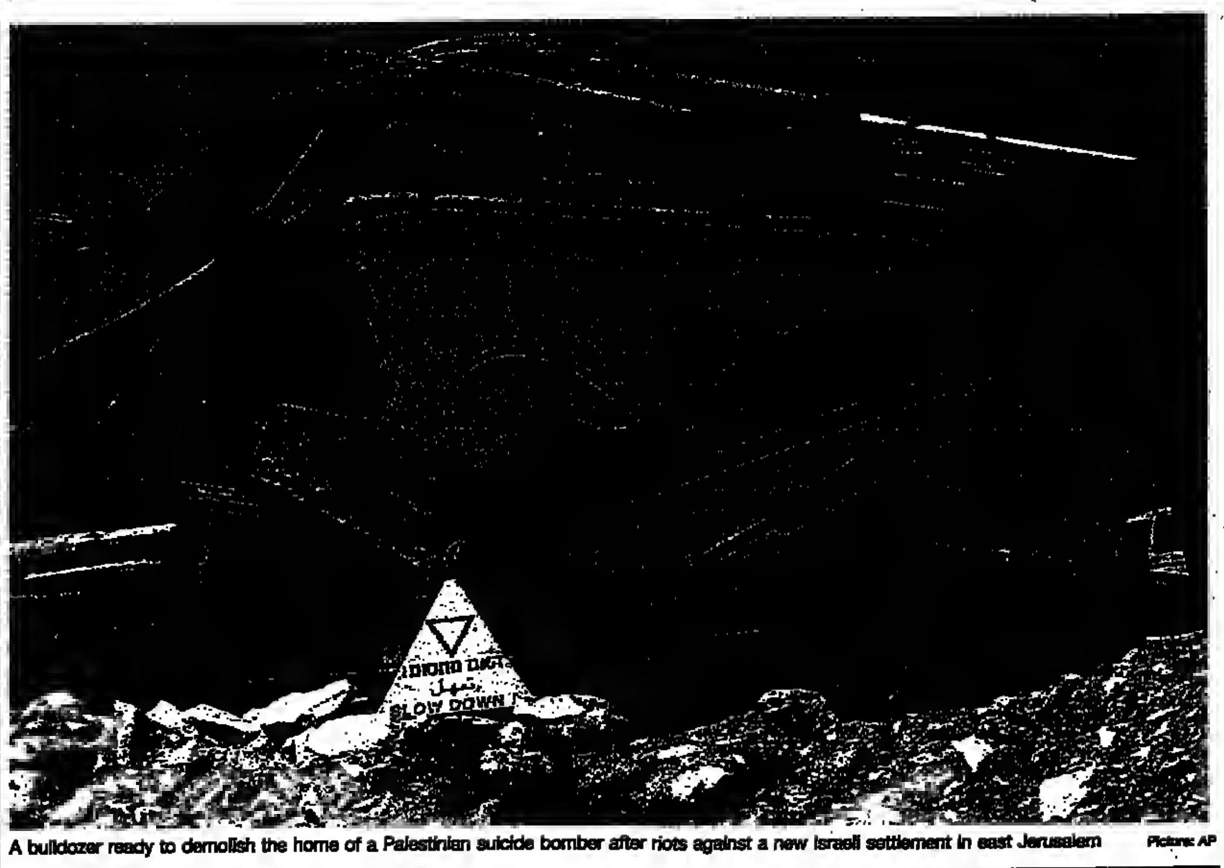
King Hussein visits Clinton
Jordan's King Hussein meets US President Bill Clinton in Washington to discuss the Middle East peace process. The king's visit follows a mission to the region by Dennis Ross, the US Middle East peace envoy, who last week met Israeli and Palestinian leaders in an attempt to jumpstart the peace talks, which have stalled since Israel began to build the Har Homa settlement in east Jerusalem.

Turkey opens gas bids

Bids for the construction of part of a gas pipeline link with Iran are to be opened by Turkey. Last year, Turkey's Islamist-led government signed a $23bn (£14.4bn) natural gas import deal with Iran, in spite of US opposition. Turkey, which relies heavily on gas imports from Russia, will begin receiving 2bn cubic metres from late 1998. However, the two countries must first build a pipeline linking Tabriz in Iran with Erzerum and Ankara in Turkey.

India to free imports
A further liberalisation of India's import regime is to come into force. This will free the import of hundreds of consumer goods from a "negative list" of 3,000 items in the country's annual export-import policy review. The move follows strong pressure from trade partners at the World Trade Organisation for India to remove quantitative barriers to consumer goods imports. India has been resisting this on the grounds that it could expose it to a significant balance of payments risk.

Japan consumer tax rises
Japan's consumption tax, applied to everything from instant noodles to new houses, increases from 3 per cent to 5 per cent. Consumers appear to have been bringing forward their purchases of big items, such as cars, to beat the tax increase. Economists will, therefore, be watching closely to see how damaging is the effect on consumer spending at a time of economic uncertainty. Meanwhile, Japanese pockets may gradually empty of flimsy aluminium Y1 coins, minted in huge quantities to cope with the awkward prices caused by the 3 per cent tax.



A bulldozer ready to demolish the home of a Palestinian suicide bomber after riots against a new Israeli settlement in east Jerusalem Picture: AP

FT Survey
Falkland Islands.

Public holidays
Cyprus, Iran, Nauru, Russia, San Marino, Vatican City.

WEDNESDAY 2

UK election manifestos
The UK general election campaign sees publication of the parties' manifestos, detailing their legislative plans in the event of victory on May 1. The Conservatives set the ball rolling, focusing on privatisation of pensions – as part of a radical social security review – and further education reforms while sounding tough on European monetary union. The Labour party follows on Thursday. Among its pledges are lower rates of income tax – for the first time – and a cut in health service waiting lists as well as moves to reduce youth and long-term unemployment by taxing profits of privatised utility companies. The Liberal Democrats launch their proposals on Friday.

Scots push independence
The Scottish National party launches its manifesto, too. The party says Scotland would be better off as an independent country in the European Union. It would have 90 per cent of the UK's revenues from North Sea oil and be able to afford creating nearly 110,000 jobs over the first four years of independence. The SNP has to win 37 of the 72 Scottish seats to gain a mandate to negotiate independence. In 1992, it won three and gained a fourth in the 1995 Perth and Kinross by-election.

Judges view Slovakia dam
Judges from the International Court of Justice at The Hague are expected to arrive in Hungary to view the effects of Slovakia's Gabcikovo dam on the Hungarian side of the River Danube. Hungary objects to Slovakia's diversion of water from the Danube to power a hydroelectric plant. Hungary and the former Czechoslovakia originally agreed to dam the Danube to make it more navigable, prevent flooding and generate electricity. However, Hungary eventually pulled out, and Slovakia unilaterally diverted the river upstream from Hungary after the dam was completed. It will be the first time judges have left The Hague in the court's 50-year-history.

Chirac in Prague
Jacques Chirac, the French president, begins a two-day visit to the Czech Republic. He is to support Prague's efforts to join Nato and the EU. Although the two countries are not close – Paris pays more attention to Hungary and Romania – trade links are growing. Their business relationship has been awkward. An investment in Czech Airlines by Air France ended in controversy in 1994, while a proposed investment in a Czech oil refining venture by the oil company Total never got off the ground.

Japan ruling on shrine

The Japanese supreme court is to rule on whether public money contributed to the Yasukuni Shrine is unconstitutional. The Yasukuni Shrine, a Shinto shrine in Tokyo that honours soldiers who died in battle, has long been a source of controversy between Japan and its former adversaries. Class A war criminals are among the war dead enshrined there. Recently, increasing numbers of politicians, including Ryutaro Hashimoto, the prime minister, have been making highly publicised and unapologetic visits there.

Tankan survey results
The Bank of Japan releases the main results of the Tankan, the quarterly survey of business confidence. Full details will be published on Thursday. The survey was due to be released in late February. The bank said the delay was part of an overall plan to improve the Tankan's efficiency and accuracy. Nevertheless, the move aroused concern that the bank expected the survey to be so gloomy that it did not want to release it before the end of the financial year (Mar 31) for fear of depressing the stock market.

Thai PM visits China
Chavalit Yongchaiyudh, the prime minister of Thailand, begins a four-day official visit to China. Mr Yongchaiyudh will be looking for increased co-operation in the agricultural and maritime sectors. He is also expected to sign an agreement about Thailand's consular representation in Hong Kong after the British colony's return to China in July. Thailand is believed to be preparing to grant visa-free access to holders of Hong Kong passports.

Soccer
World Cup qualifying, group four: Scotland v Austria, in Glasgow.

FT Surveys
FT Review of Information Technology; Turkish Infrastructure.

Public holiday
Iran.

THURSDAY 3

Spanish king in Mexico
King Juan Carlos of Spain visits Mexico (to Apr 7). He will be accompanied by ministers attending the annual Mexico-Spain bilateral meeting. The king, whose visit marks 20 years of diplomatic ties between the two countries, will address the Mexican senate and – with Ernesto Zedillo, the Mexican president – inaugurate the Congress of the Spanish Language in the mining town of Zacatecas. Nobel prize winners Gabriel García Márquez, Camilo José Cela and Octavio Paz are due to participate.

FT Surveys
Merseyside; Chemical Engineering.

Public holiday
Guinea.

FRIDAY 4

Apec meets in Cebu
Finance ministers from the 18 members of the Asia Pacific Economic Co-operation forum gather in the southern Philippine city of Cebu to discuss moves to improve private-sector participation in infrastructure projects and the development of financial and capital markets in the region (to Apr 6). The meeting follows the Apec summit in Manila last November, where a lack of concrete commitments to liberalising markets and opening up trade was evident. Finance ministers are expected to initial voluntary principles and initiatives, including the need to maintain a "sound macro-economic environment".

Cricket
West Indies v India, fourth Test, Antigua (to Apr 8).

Public holidays
Lesotho, Senegal, Taiwan.

SATURDAY 5

Emu calendar debated
EU finance ministers meet in Noordwijk, the Netherlands, to discuss the countdown to economic and monetary union. Some countries, notably Germany, are struggling to meet the entry terms for Emu. But the ministers remain confident. Their job is to settle the decision-making calendar for early 1998, when EU leaders are due to choose which countries qualify for Emu.

Racing

The three-day Grand National meeting at Aintree culminates with the 150th running of the big race. Seagram subsidiary Martell took over sponsorship of the meeting in 1992 in a deal worth more than £4m. Martell adds almost half a million pounds to prize money. Around £85m is wagered by the British public on the National, making it the world's biggest betting race.

Public holidays
Hong Kong, Korea, Macau, Taiwan.

SUNDAY 6

Serbs vote on Croatia
The Serb regions of Eastern Slavonia, Baranja and West Srem vote in a referendum on whether they support their regions remaining as a whole territory after their reintegration into Croatia. The Serb-held enclave, under United Nations administration, votes in elections for municipal councils in Croatia and for its upper house of parliament on April 13.

Frei's party divided
In Chile, a divided Christian Democrat party elects a new president and three other members of the seven-strong executive. The vote is expected to be close. If the dissident wing of the party wins, it could mean trouble for the government of President Eduardo Frei. The president's brother, Francisco Frei, is a candidate on the official list, headed by Gutenberg Martinez. The dissidents, headed by former interior minister Enrique Krauss, say they want more democracy at the grassroots of the party. The outgoing party president, Alejandro Foxley, is a former finance minister with national presidential ambitions.

Soccer
UK Coca-Cola Cup final, Leicester v Middlesbrough, at Wembley.

Compiled by Simon Strong.
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ECONOMIC DIARY

Other economic news
Tuesday: The key German data this week are manufacturing orders and industrial production for February, which should give an indication of the recovery. Manufacturing orders could be up by more than 7 per cent year on year after a rise of 4.6 per cent in January. Industrial production could be up between 6 and 7 per cent after 2 per cent previously.
The February report of US leading indicators could give further evidence of fast growth. The LEI index is expected to be around 2 per cent higher year on year after 2.5 per cent in January.
Wednesday: A large gain by non-durable goods should boost US factory orders for February by around 8 per cent year on year after 5.2 per cent in January.
Thursday: The March distributive trades survey by Britain's CBI is expected to show rising retail sales volumes after a slowdown early in the year.
Friday: The US employment report will be closely watched. The consensus forecast is for a jobless rate of 5.3 per cent, the same as in February.

Statistics to be released this week

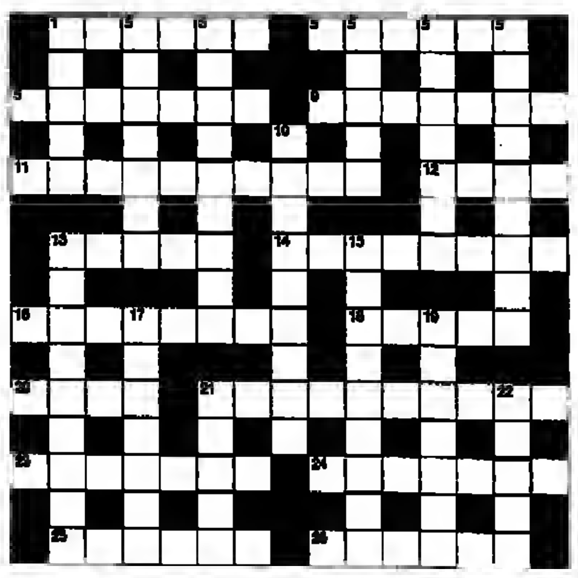
Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Tue	US	Feb leading indicators	0.4%	0.3%
April 1	US	Feb construction spending	0.7%	0.4%
	US	Mar domestic auto sales	7.0m	6.7m
	US	Mar domestic light truck sales	6.3m	6.3m
	Venez'la	Mar consumer price index*	2.6%	2.3%
	Venez'la	Mar consumer price index**	76.6%	82.6%
	Spain	Dec surveyed unemployment	21.8%	21.8%
Wed	Germany	Jan trade balance	DM6.5bn	DM7.2bn
April 2	Germany	Jan current account	-DM2.7bn	-DM3.0bn
	Italy	Jan hourly wages	4.3%	4.1%
	UK	Mar M0*	0.3%	0.2%
	UK	Mar M0**	6.5%	8.5%
	UK	Mar official reserves		-$99m
	UK	Feb consumer credit	£1.0bn	£853m
	US	Feb factory orders	0.2%	2.5%
	US	Feb factory inventories		0.1%
Thurs	Korea	Mar exports – customs cleared***		-4.9%
April 3	Korea	Mar imports – customs cleared***		0.1%
	Korea	Mar trade balance – customs cleared		-$2.1bn
	Spain	Feb producer price index*	-0.1%	-0.1%
	Spain	Feb producer price index**	0.6%	0.6%
	US	Initial claims March 29		310K
	US	State benefits March 29		2,281K
	US	Feb home completions		1.32m
	Ireland	Feb credit growth, ex-mortgages	15.5%	16.9%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	Belgium	Jan industrial production†*		0.1%
Friday	France	Jan trade balance	FFr10bn	FFr12.3bn
April 4	Canada	Jan labour income*		0.8%
	Canada	Mar employment†*		[illegible]
	Canada	Mar unemployment rate	[illegible]	9.7%
	US	Mar Non-farm payrolls	[illegible]	339K
	US	Mar manufacturing payrolls	5K	2K
	US	Mar hourly earnings	0.3%	0.2%
	US	Mar average workweek		[illegible]
	US	Mar unemployment rate	5.3%	5.3%
Sat	Taiwan	Mar consumer price index		2.03%
April 5	Hungary	Q4, GDP, cumulative**		0.0%
	Korea	Mar M2***		19.8%
Sun	Russia	Mar consumer price index*		1.5%
April 6	Korea	Mar MCT***		18.3%
During the week...				
	Arg'tina	Mar tax revenue		$3.64bn
	Germany	Feb industrial prod, pan-Germany*	1.1%	-1.5%R
	Germany	Feb manu output, pan-Germany*	0.5%	1.5%R
	Germany	Feb industrial prod, west*		0.1%R
	Germany	Feb industrial prod, east*		-14.3%R
	Germany	Feb manu orders, pan-Germany*	0.0%	2.4%
	Switz'ld	Feb retail sales, real**	-0.5%	-1.5%
	Switz'ld	Mar unemployment rate	5.8%	5.7%

*month on month, **year on year †seasonally adjusted. Statistics, courtesy MMS International.

ACROSS
1 Off course, he was shipwrecked (6)
4 Initially take rooms abroad in Norway (6)
8 Drama writer barred for the very young (7)
9 He follows the corps on manoeuvres in fast car (7)
11 It's present in a constantly recurring form (10)
12 A conservative leader about to give ground (4)
13 Tricky shot manipulative female has no use for (5)
14 Firm hold for golf club I ring pro about (4,4)
16 Casting is one of his jobs in the studio (8)
18 Brief accepted in Quarter Sessions (5)
20 See 21 across
21, 20 A mere semblance of the real thing (10,4)
23 Deny order was void (7)
24 Compact disc starts being recorded (7)
25 Unruffled, though badly teased (6)
26 Revised point I'd put back to Edward (6)

DOWN
1 Replenish the dairy farmer's stock of cold veal produce (5)
2 Greek hero, oddly sly in habits (7)
3 Excessively fatigued by extravagant living? (9)
5 Pole on the run (5)
6 Compelled to turn a nag wild on the prairie (7)
7 White? Rose provided if not (9)
10 In the study I have a fireplace to blacken (10)
13 Shoes in snake-skin? (9)
15 Mad at being forgotten? (3,2,4)
17 Lured, sailors say, to these islands? (7)
19 Tell, and tell again (7)
21 Cancel spaceflight, there's an unpleasant smell in craft (5)
22 More advanced as a teacher? (5)



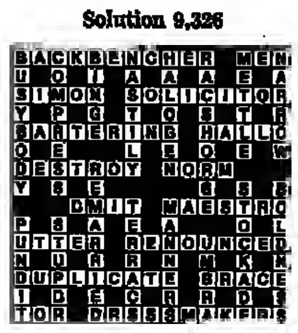
WINNERS 9,336: Mrs J. King, St Albans, Herts; C.C. Andreae, Bembridge, Isle of Wight; C.A. Nightingale, Capel, Surrey; F.W.J. Teale, Harborne, Birmingham.

PRIZE CROSSWORD
No.9,337 Set by DANTE

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday April 10, marked Monday Crossword 9,337 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday April 14. Please allow 28 days for delivery of prizes.

Name
Address

Solution 9,336



JOTTER PAD